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8

9 **UNITED STATES BANKRUPTCY COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**
11 **NORTHERN DIVISION**

12 In re
13 HVI CAT CANYON, INC.,
14 Debtor.

Case No. 9:19-bk-11573-MB
Chapter 11

**CHAPTER 11 TRUSTEE'S
OPPOSITION TO MOTION [CASE
DOC. NO. 900] TO RECONSIDER
ORDER [CASE DOC. NO. 866]
DENYING MOTION FOR RELIEF
FROM STAY [CASE DOC. NO.
767]; MEMORANDUM OF POINTS
AND AUTHORITIES,
DECLARATION OF MICHAEL A.
MCCONNELL, AND REQUEST
FOR JUDICIAL NOTICE IN
SUPPORT THEREOF**

Date: None¹
Time: None
Crtrm.: None

25
26
27 ¹ Pursuant to the Court's scheduling order for this motion, no hearing date has been
28 set. Case doc. no. 950, entered April 20, 2020. Any replies must be filed and served
by May 8, 2020.

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MEMORANDUM OF POINTS AND AUTHORITIES

I.

INTRODUCTION

Michael A. McConnell, as Chapter 11 Trustee (“Trustee”) hereby opposes GRL, LLC’s (“GRL”) *Motion to Reconsider Denial of Motion with Points and Authorities* (case doc. no. 900) (“GRL Motion to Reconsider”). GRL seeks reconsideration of the Court order (case doc. no. 866) denying GRL’s relief from stay motion (case doc. no. 767) (“GRL Relief from Stay Motion”).

GRL’s principal focus in its two motions has been its claim that it is entitled to be paid royalties by the Debtor, that the Bankruptcy Court ought to direct the Trustee to pay GRL its claimed royalties, and that GRL ought to be authorized to serve “Oil and Gas Division Orders” upon persons who owe the estate money for oil and gas in the future requiring them to pay GRL directly. GRL bases its claim on the unfounded assertion that the Trustee has not set aside sufficient funds in a manner GRL would like in the court-required “insider royalty” account.

GRL’s Motion for Reconsideration ought to be denied for three reasons:

First, the Trustee has set aside funds for GRL in an “insider royalty” account. Thus, GRL’s interest, if any, is protected. The funds are protected as the Court directed. As new funds come in, they are added in the ordinary course.

Second, whether or not GRL is entitled to those funds at all, or whether the Trustee has offsetting claims, is subject to litigation in a pending adversary proceeding.² The Bankruptcy Court’s denial of GRL’s Motion for Relief for Stay specifically provided that its denial was without prejudice to GRL’s pursuit of those claims in the already pending adversary proceeding. The fact that there is a pending adversary proceeding on this precise subject means that to the extent GRL seeks a

² *McConnell v. GLR, LLC and GRL, LLC*, adv. case no. 9:20-ap-01006-MB.

1 prejudgment remedy, it must comply with the applicable Federal Rules of
2 Bankruptcy Procedure and seek that remedy in the very proceeding in which it is
3 making the substantive claim.

4 Third, in order to seek reconsideration (of an interim denial without prejudice,
5 no less), GRL must show change in law, newly discovered evidence, or that the
6 Court committed clear error. GRL makes only a passing reference to the law (two
7 cites without discussion to Bankruptcy Rules 9023 and 9024), made scant effort to
8 find out the facts before it filed the Relief from Stay Motion, and can't make, and
9 indeed, does not try to make, any clear error claim. Moreover GRL has not cured
10 other myriad problems with its Motion for Relief from Stay, including sustained
11 objections to the evidence it originally offered.

12 GRL's Motion to Reconsider should therefore be denied.

14 II.

15 **FACTUAL BACKGROUND**

16 On July 25, 2019, the Debtor filed its voluntary Chapter 11 petition
17 commencing this bankruptcy case. The case was originally filed in the Southern
18 District of New York. The case was transferred to the Northern District of Texas,
19 and then later to the Central District of California.

20 On August 14, 2019, the presiding court in this case (then in New York)
21 entered an interim cash collateral order, which stated, in pertinent part:

22 9. Absent further order of the Court or written consent of the
23 Secured Lender UBS for payments specifically designated as a royalty
24 payment or surface lease payment to an insider or affiliate, the Debtor
25 shall not make the following payments: (i) any royalty payments or
26 surface lease payments to insiders or affiliates of the Debtor or (ii) any
27 payment of legal fees for the Debtor or any committee, but the Debtor
28 shall hold such payments in an interest-bearing escrow or segregated
account. All such issues are expressly reserved for future determination.
The Cash Collateral Budget attached hereto includes certain items for
accounting purposes only; this Order does not permit payment of these
items under this Order. Notwithstanding anything to the contrary, Cash
Collateral shall only be used to pay those items in the Cash Collateral
Budget that have been specifically approved. For the avoidance of

doubt, the Debtor has no authority to make any (i) insider or affiliate royalty payments, (ii) insider or affiliate surface lease payments, (iii) professional fee payments, or (iv) other payments which are listed below the line in the Cash Collateral Budget for accounting purposes but not authorized by this Order, regardless of whether any such payments listed in (i)-(iv) are included in the Cash Collateral Budget.

Case doc. no. 43 at 8-9, ¶ 9.

On October 8, 2019, this Court entered an interim order on consensual use of cash collateral. It provided for the same limitations provided in the above quoted paragraph 9. Case doc. no. 375 at pp. 6-7.

On October 16, 2019, the Court entered its order directing the United States Trustee to appoint a Chapter 11 trustee. Case doc. no. 431. That order granted the motions of two creditors, who alleged a variety of problems with the Debtor including, but not limited to, the Debtor's transactions with affiliates and/or insiders. Case doc. nos. 356, 363. GRL is listed on the Debtor's Statement of Financial Affairs as an insider. Case doc. no. 171, p. 294. Excerpts of the Schedules and Statement of Financial Affairs are attached to the Request for Judicial Notice as Exhibit "1." The order approving the Trustee's appointment was entered on October 22, 2019. Case doc. no. 431.

On November 27, 2019, this Court entered its final cash collateral order, which included the following language:

Absent further order of the Court or written consent of UBS for payments specifically designated as a royalty payment or surface lease payment to an insider or affiliate, neither Debtor nor the Trustee shall make the following payments directly or indirectly: (i) any royalty payments or surface lease payments to insiders or affiliates of the Debtor or (ii) any payment of professional fees for the Debtor or any committee, but the Trustee shall hold any such payments provided for in the Budget in an interest-bearing escrow or segregated account. All such issues are expressly reserved for future determination. The Budget includes certain items for accounting purposes only; this Final Order does not permit payment of these items. Notwithstanding anything to the contrary, the proceeds of the Facility and Cash Collateral shall only be used to pay those items in the Budget that have been specifically approved by UBS or Huron and to escrow payments as set forth above. For the avoidance of doubt, neither the Debtor nor the Trustee has any authority to make, directly or indirectly, any (i) insider or affiliate royalty payments; (ii) insider or affiliate surface lease payments; (iii)

1 professional fee payments, except payments authorized for the Trustee's
2 professionals or Committee's professionals under this Final Order; or
3 (iv) other payments which are listed below the line in the Budget for
4 accounting purposes but not authorized by this Final Order, regardless
5 of whether any such payments listed in (i)-(iv) are included in the
6 Budget.

7 Case doc. no. 572 at pp. 12-13, ¶15. A copy of such order is attached to the Request
8 for Judicial Notice as Exhibit "2." Thus, at least three orders have been entered
9 prohibiting the estate from paying royalties to insiders or affiliates.

10 Upon the Trustee's appointment, the Debtor turned over to the Trustee
11 \$39,752.85 in an insider royalty account, on account of royalties owed to GRL. See
12 Trustee's declaration at ¶ 22. The day after his appointment, on October 23, 2019,
13 the Trustee opened a new bank account for the insider royalties allegedly owed to
14 GRL, and deposited the \$39,752.85. That account was and remains at Wells Fargo
15 Bank, account number ending in 0268 (the "Insider Escrow Deposit Account"). Id.

16 On January 9, 2020, the Trustee filed a complaint against GRL and its affiliate,
17 GLR, LLC ("GLR"), seeking turnover, and avoidance of preferential and or
18 fraudulent transfers under 11 U.S.C. §§ 542, 547, 548 and 550, commencing
19 adversary proceeding number 9:20-ap-01006-MB (the "Avoidance Action"). By the
20 Avoidance Action, the Trustee seeks to recover oil and gas lease interests which
21 were transferred from the Debtor to GRL and GLR just 6 days before the Debtor's
22 bankruptcy filing. On February 3, 2020, the same date that GRL filed the Relief
23 from Stay Motion, GRL and GLR filed an answer and counterclaim in the Avoidance
24 Action seeking, among other relief, payment of the very royalties addressed by the
25 Motion for Relief From Stay.³

26 ³ The Trustee has filed another complaint, commencing an action seeking declaratory
27 relief regarding the applicability of 11 U.S.C. § 365 to oil and gas leases, against
28 GRL and hundreds of other defendants, as adversary proceeding number 9:20-ap-
01011-MB.

1 On that same day that GRL and GLR filed their answer and counterclaim in
2 the Avoidance Action, GRL filed its Relief from Stay Motion, factually supported
3 solely by a declaration from Mr. Grewal, as a principal of GRL. Case doc. no. 767.
4 Mr. Grewal signed the Debtor's Schedules and Statement of Financial Affairs, as the
5 Debtor's Chairman. Case doc. no. 171, pages 288, 316.

6 The Trustee filed an opposition to the Relief from Stay Motion, identifying
7 five grounds: (1) the Relief from Stay Motion was a disguised attempted to
8 reconsider the prior insider royalty orders; none of which were even mentioned in the
9 Relief from Stay Motion; (2) the Relief from Stay Motion was procedurally
10 improper, as it needed to be brought in an adversary proceeding because of the relief
11 the motion actually sought; (3) GRL failed to argue cause under section 362(d); (4)
12 GRL's claims were subject to disallowance under section 502(d); and (5) the
13 calculation of amounts due, if any, were complicated, by among other things, the
14 failure of another affiliate, California Asphalt Production, Inc. ("CAP"), to pay for
15 oil. The Trustee also noted the failure of GRL to use the required form for relief
16 from stay motions. Case doc. no. 787. The Trustee also filed objections to the
17 evidence proffered. Case doc. no. 789.

18 Opposition to the GRL Motion for Relief from Stay was filed by UBS, AG, on
19 February 11, 2020. Case doc. no. 784. UBS AG also filed objections to Mr.
20 Grewal's declaration. Case doc. no. 785. In brief, UBS AG argued that the relief
21 sought by GRL could only be sought through an adversary proceeding; that GRL had
22 recently filed a counterclaim in an adversary proceeding seeking relief as to claimed
23 royalties against the Trustee, and that, in any event, GRL had inadequate evidentiary
24 support.

25 Opposition (in the form of a joinder) filed by a number of state and local
26 governmental agencies as well as a private entity Buganko, LLC. See case doc. nos.
27 790, 791.

1 A reply was filed by GRL. Case doc. no. 808. GRL did not fix any of the
2 identified issues in its Relief from Stay Motion.

3 On February 25, 2020, a hearing was held on GRL's Relief from Stay Motion,
4 and it was denied. Case doc no. 825. At the hearing, the Court opened oral
5 argument by noting that the Relief from Stay Motion was improper because GRL
6 failed to use the mandatory court form. As the Court noted, "for those reasons alone
7 I could deny the motion." Transcript, page 7, lines 2-3. A copy of the February 25,
8 2020 hearing transcript is attached to the Request for Judicial Notice as Exhibit "3."
9 A copy of the tentative ruling for the February 25, 2020 hearing is attached to the
10 Request for Judicial Notice as Exhibit "4."

11 Throughout oral argument, the Court made a number of comments expressing
12 the Court's views on issues, including:

13 • On the merits of the Relief from Stay Motion, first, the Court observed
14 that the relief requested in the motion was relief that needed to be brought by
15 adversary proceeding. Indeed, the Court observed, "these are the same claims that
16 are actually made" by the Movant "in a counterclaim" in the Avoidance Action, yet
17 the Movant "didn't [] mention that" in the Relief from Stay Motion. Id. at page 8,
18 lines 19-20. The Court indicated its view that the Relief from Stay Motion was not
19 an appropriate vehicle for such disputes.

20 • The Court said that the Relief from Stay Motion lacked sufficient legal
21 or factual explanation and support in favor of the service of division orders. The
22 Court stated, "this is a different industry and it's governed by different substantive
23 law and this motion really hasn't done a very good job of walking me through that at
24 all." Id. at page 13, lines 1-4. The Court observed that there were issues with
25 commingled oil and gas interests and monies that were both not easy to resolve in a
26 summary proceeding and not properly addressed in the motion. E.g., id. at page 13,
27 lines 17-22 ("it's kind of a problem when those real property rights are
28 transformed.... Then it becomes money and money is commingled. And so none of

1 your pleadings really address that and none of your California cases really address
2 that either.”).

3 • Based on its review of the documents attached the Relief from Stay
4 Motion, the Court does not understand “how this adds up to what [GRL] wants.” Id.
5 at page 27, lines 3-4.

6 • At another point, the Court noted that evidentiary objections relating to
7 declarations filed by Movant (all of which were sustained) probably did not matter
8 because, “Procedurally this motion has so many problems.” Id. at page 24, lines 14-
9 15.

10 Toward the end of the hearing, the Court stated its ruling on the record, which
11 can be summarized as follows:

12 1. The Movant is impermissibly seeking to overturn a prior Court
13 order without any support, or even invoking applicable law, for
14 reconsideration. Id. at page 42, lines 14-18. “To the extent the motion sought
15 relief from a prior order,” the Court held that the motion was “procedurally
16 defective as well as substantively defective.” Id. at page 43, lines 14-16.

17 2. The Court held that the determinations of the parties’ interests in
18 royalties must be by adversary proceeding. Id. at lines 21-24 (“making a
19 determination about the nature and extent of the insider’s interests in these
20 leases in the particular – in the royalties...requires an adversary proceeding.”);
21 id. at page 44, lines 11-17 (“the motion for relief [] is procedurally improper
22 for a similar reason which is [] inherent in it is a determination of the nature
23 and extent of the [] moving party’s interest and I don’t think those have been
24 determined and I don’t think it’s appropriate to determine them in a summary
25 proceeding.”)

26 3. The motion sought property from the estate which would interfere
27 with the Trustee’s sale of estate assets. Id. at page 45, lines 4-11.

28

4. The Court sustained all of the evidentiary objections to the declaration of Mr. Grewal, leaving no admissible evidence in support of the motion. Even if that were not the case, as mentioned above, the facts and law alleged were inadequate. *Id.* at lines 12-17.

5. Finally, even if there were no factual disputes requiring an adversary proceeding, GRL was adequately protected by the escrowing of the royalty amount. *Id.* at page 46, line 20.

On March 23, 2020, the Court entered its Order Denying the Relief from Stay Motion. Case doc. no. 866. A copy of the order is attached to the Request for Judicial Notice as Exhibit “5.” The Order provides that the Relief from Stay Motion is denied “without prejudice to Movant pursuing relief in the related adversary proceeding.” This make sense since GRL is seeking payment of the same royalties in the Avoidance Action.

III.

DISCUSSION

A. The Trustee has Segregated the Insider Royalties

The Trustee has segregated the insider royalties, as required by prior Court Orders. Upon his appointment, the Trustee received \$39,752.85 from the Debtor in Possession, which was set aside in a bank account as alleged royalties owed to GRL. The Trustee maintained those in a segregated bank account, Wells Fargo bank account number ending in 0268. See Trustee's declaration at ¶ 21.

The Court's cash collateral order requires the Trustee to do as follows:

Absent further order of the Court or written consent of UBS for payments specifically designated as a royalty payment or surface lease payment to an insider or affiliate, neither Debtor nor the Trustee shall make the following payments directly or indirectly: (i) any royalty payments or surface lease payments to insiders or affiliates of the Debtor or (ii) any payment of professional fees for the Debtor or any committee, but the Trustee shall hold any such payments provided for in the Budget in an interest-bearing escrow or segregated account. All such issues are expressly reserved for future determination. The Budget

1 includes certain items for accounting purposes only; this Final Order
2 does not permit payment of these items. Notwithstanding anything to
3 the contrary, the proceeds of the Facility and Cash Collateral shall only
4 be used to pay those items in the Budget that have been specifically
5 approved by UBS or Huron and to escrow payments as set forth above.
6 For the avoidance of doubt, neither the Debtor nor the Trustee has any
7 authority to make, directly or indirectly, any (i) insider or affiliate
8 royalty payments; (ii) insider or affiliate surface lease payments; (iii)
9 professional fee payments, except payments authorized for the Trustee's
10 professionals or Committee's professionals under this Final Order; or
11 (iv) other payments which are listed below the line in the Budget for
12 accounting purposes but not authorized by this Final Order, regardless
13 of whether any such payments listed in (i)-(iv) are included in the
14 Budget.

15 Case doc. no. 572 at pages 12-13, paragraph 15..

16 The Trustee is required to "hold [royalty payments or surface lease payments
17 to insiders or affiliates of the Debtor] provided for in the Budget in an interest-
18 bearing escrow or segregated account" (emphasis added). The Trustee is required to
19 do the same thing for the royalties of insiders and affiliates as for estate
20 professionals. Consistent with this instruction, the Trustee accounted for the
21 professional fees and insider or affiliate royalties incurred during his tenure, setting
22 aside such monies for accounting purposes. Prior to February 24, 2020, the Trustee
23 did not deposit such monies in segregated bank accounts, but segregated them on the
24 estate's books and Court-approved budgets. However, in February, 2020, after
25 consideration of increasingly adversarial filings and actions by the Debtor's
26 affiliates, including redundant filings by GRL, such as GRL's Relief From Stay
27 Motion (Case doc. no. 767), GLR's administrative rent motion (Case doc. no. 801),
28 and GRL and GLR's counterclaim seeking the same relief in the Avoidance Action
(Adversary Proceeding No. 9:20-ap-01006-MB), the Trustee decided to transfer the
monies which were set aside for GRL and GLR to the segregated bank account
which already existed, the Wells Fargo bank account number ending in 0268. See
Trustee's declaration at ¶¶ 24-27. On February 24, 2020, the Trustee deposited
\$84,621.05 into such account, as reflected in Exhibit B to the Reconsideration
Motion, Case doc. no. 900 at page 17. See Trustee's declaration at ¶ 28.

1 The document attached to the Reconsideration Motion at Exhibit C correctly
2 shows the funds in the Wells Fargo Bank account number ending in 0268 on
3 February 25, 2020, the date of the hearing on relief from stay, and provides an
4 accounting showing both the surface lease and oil royalty components, allegedly
5 owed to GLR. See Case doc. no. 900 at page 34.

6 As of April 20, 2020, the balance in Wells Fargo Bank account number ending
7 in 0268 was \$137,066.39, including: (a) \$4,136.72 deposited on March 11, 2020 for
8 January royalties; and (b) \$8,555.77 deposited on April 16, 2020 for February
9 royalties. See Trustee's declaration at ¶ 30. The Trustee continues to segregate
10 insider royalties in the separate account. See Trustee's declaration at ¶ 31.

11
12 **B. GRL Must Proceed, if at all in the Pending Adversary Proceeding**

13 GRL's basic contentions are two-fold: first, that the royalties are not property
14 of the estate, and second, that it ought to be allowed to deliver "Division Orders" to
15 people buying the Debtor's oil, instructing them to pay GRL instead of the Debtor.
16 Determinations as to what is and is not property of the estate, and whether third
17 parties can be directed to pay an alleged creditor directly, are properly decided in an
18 adversary, with the full range of procedural protections for the parties. Proceedings
19 to "recover money or property" from a bankruptcy estate, "to obtain an injunction or
20 other equitable relief," or to "obtain declaratory judgment" are adversary proceedings
21 under FRBP 7001. See FRBP 7001(1), (6), and (9). Adversary proceedings are
22 lawsuits in bankruptcy, and are subject to the notice, discovery and other procedural
23 due process attributes of a federal civil action, set forth in the Bankruptcy Rules. See
24 FRBP 7001-7087. As one court has observed: "An adversary proceeding under
25 Federal Rule of Bankruptcy Procedure 7001 is essentially indistinguishable from a
26 civil action under the Federal Rules of Civil Procedure." *In re Van Ness*, 399 B.R.
27 897, 904 (Bankr. E.D. Cal. 2009) (citing Christopher Klein, *Bankruptcy Rules Made*
28

1 *Easy (2001): A Guide to the Federal Rules of Civil Procedure that Apply in*
2 *Bankruptcy*, 75 Am. Bankr. L.J. 35, 38 (Winter 2001)).

3 In contrast, requests for relief from stay brought under 11 U.S.C. § 362(d) are
4 “contested matters” governed by Fed. R. Bankr. P. 9014.⁴

5 [A] contested matter under [FRBP] 9014 is a motion procedure
6 susceptible of more expeditious resolution than an adversary
7 proceeding. In particular, the pleading rules that entail complaint,
answer, counterclaim, cross claim, and third-party practice are
dispensed with in favor of a simple motion procedure.

8 *Id.* (citing *In re Johnson*, 346 B.R. 190, 195 (B.A.P. 9th Cir. 2006); *Khachikyan v.*
9 *Hahn (In re Khachikyan)*, 335 B.R. 121, 125–26 (B.A.P. 9th Cir. 2005); *GMAC*
10 *Mortgage Corp. v. Salisbury (In re Loloee)*, 241 B.R. 655, 660 (B.A.P. 9th Cir.
11 1999); *United States v. Valley Nat’l Bank (In re Decker)*, 199 B.R. 684, 690 (B.A.P.
12 9th Cir. 1996) (concurring op.); Klein, 75 Am. Bankr. L.J. at 40–41). Relief from
13 stay motions are summary proceedings encompassing limited issues. *In re*
14 *Plumberex Specialty Prod., Inc.*, 311 B.R. 551, 557–58 (Bankr. C.D. Cal. 2004)
15 (“Stay litigation is confined to the issues of [] ‘lack of adequate protection, the
16 debtor’s equity in the property, and the necessity of the property to an effective
17 reorganization of the debtor, or the existence of other cause for relief from the
18 stay.’ []” (quoting *Computer Communications, Inc. v. Codex Corp. (In re Computer*
19 *Communications, Inc.)*, 824 F.2d 725, 729 (9th Cir. 1987) (quoting S. Rep. No. 95–
20 989, at 55 (1978), reprinted in 1978 U.S.C.C.A.N. at 5841))).

21 Further, “[i]t is settled that a Rule 9014 motion cannot be used to circumvent
22 the requirement of an adversary proceeding.” *Id.* (citing *Bear v. Coben (In re Golden*
23 *Plan of Cal., Inc.)*, 829 F.2d 705, 711–12 (9th Cir. 1986); *Loloee*, 241 B.R. at 660–
24 62).

27 ⁴ References hereafter to the Federal Rules of Bankruptcy Procedure shall be to
28 “FRBP” and to the Federal Rules of Civil Procedure as “FRCP.”

1 The Motion was fashioned as a “Motion for Relief from the Automatic Stay or
2 for Order Confirming that the Stay Does Not Apply.” However, despite the moniker,
3 the Motion did not resemble a motion for relief from stay consistent with the custom
4 and practice of this Court. The document was not on the Court’s mandatory form, a
5 defect the Court viewed as fatal in itself. The absence of a court form also
6 emphasizes the difference between the relief sought by GRL and the types of relief
7 available under 11 U.S.C. § 362(d).

8 The relief requested in the Relief from Stay Motion was not that the stay be
9 lifted so that, for example, the movant can continue to prosecute a state court
10 proceeding or pursue its rights under applicable non-bankruptcy law. Rather, the
11 primary relief sought was an express finding that certain property is not property of
12 the estate under 11 U.S.C. § 541 and for turnover from the estate of certain monies.
13 Such relief is squarely within the ambit of FRBP 7001 requiring that injunctive,
14 turnover and declaratory relief be brought by adversary proceeding. The Relief from
15 Stay Motion was an attempted end-run around the due process afforded by an
16 adversary proceeding.

17 Further, to the extent the Movant is entitled to payment of any royalties, the
18 estate may have setoff rights and other defenses and counterclaims creating disputes
19 which are also only appropriately litigated in the context of an adversary proceeding.
20 *Khachikyan*, 335 B.R. at 125. Finally, the Movant is actually seeking similar, if not
21 identical, relief in the Avoidance Action, conceding that the relief is appropriately
22 sought through an adversary proceeding (Avoidance Action at docket no. 6) which
23 renders this contested matter duplicative. *Colorado River Water Conservation Dist.*
24 *v. United States*, 424 U.S. 800, 817, 96 S. Ct. 1236 (1976) (“[T]he general principle
25 is to avoid duplicative litigation.”).

26 Despite this issue having been raised in the original oppositions and having
27 been discussed at the hearing on the Motion for Relief From Stay, GRL has done
28 absolutely nothing to cure this problem, focusing its Motion for Reconsideration

1 entirely on its murky unsupported insinuations regarding adequate protection. The
2 Motion for Reconsideration ignores the procedural and substantive issues that were
3 dispositive the first time around.

4
5 **C. GRL Has Not Made Out a Case for Reconsideration**

6 GRL asserts that the basis of its Motion for Reconsideration is the discovery of
7 evidence that the Trustee has allegedly not funded the account holding insider
8 royalties, and that the Court had previously found that GRL was adequately
9 protected. Case doc. no. 900, at pages 1-2. That argument is a misrepresentation of
10 the Court's order, in addition to being frivolous in its inaccurate (vague) factual
11 insinuations. As the Court's order makes clear, GRL is free to pursue its claims in
12 the pending adversary proceeding, where GRL actually made such claims in its filed
13 counterclaim. And as GRL's Motion to Reconsider makes clear, some of the
14 documents on which it relies were actually obtained by GRL in that pending
15 adversary proceeding. Case doc. no. 900, at 2.⁵

16 The Motion to Reconsider makes no attempt to cure the prior evidentiary
17 issues, as the Court sustained all objections. In particular, and as expounded on at
18 length by the Court at the hearing, no attempt has been made to analyze the leases
19 and explain the calculation of the Division Orders.

20 GLR's Motion to Reconsider relies not only on alleged evidence that existed at
21 the time of the February 25, 2020, hearing, but also evidence that did not exist until
22 after the hearing. GLR makes no attempt to argue why post-hearing evidence is even
23 admissible in the context of a reconsideration motion.

24 The Motion to Reconsider also lacks any legal analysis. The sole legal
25 argument made is that a motion for reconsideration may be made under Rule 9023 if
26

27 ⁵ If the point of the discovery in the adversary was to obtain evidence to use for this
28 motion, that was an abuse of the discovery process.

1 it is made within 14 days of the entry of the order, as if that is the sole requirement of
2 a motion for reconsideration. There is also a reference to Rule 9024, implying that
3 the basis for involving Rule 9024 is the attachment of evidence which allegedly
4 could not have been discovered at the prior hearing.

5 As discussed above, GRL's Motion to Reconsider includes no discussion of
6 the procedural issue identified by the Trustee and others, discussed extensively by
7 the Court at the hearing, and memorialized in the Order, that GRL cannot obtain the
8 relief it seeks through a motion, it must be sought in an adversary proceeding, and
9 that adversary proceeding is, in fact, already pending. Nor does the Motion to
10 Reconsider make any attempt to argue why the Trustee is not entitled to offset his
11 alleged damages against the royalties allegedly owed to GRL, pursuant to section
12 502.

13 As to Rule 9024, it is inapplicable here for two reasons. First, the order for
14 which GRL seeks reconsideration, denial of its Relief from Stay Motion, is not final,
15 as the Court preserved for GRL the opportunity to seek relief in the adversary. By its
16 terms, Rule 60(b) only applies to final orders. The 1946 commentary to Rule 60
17 makes clear: "The addition of the qualifying word "final" emphasizes the character
18 of the judgments, orders or proceedings from which Rule 60(b) affords relief; and
19 hence interlocutory judgments are not brought within the restrictions of the rule, but
20 rather they are left subject to the complete power of the court rendering them to
21 afford such relief from them as justice requires."

22 Moreover, Rule 60(b)(2) is expressly not applicable if the movant can bring a
23 timely motion under Rule 59. However, any analysis of the plain language of the
24 Rule is ignored by GRL. GRL also provides no analysis for application of Rule 59.

25 It appears GRL's sole basis under Rules 9023 and 9024 is purported newly
26 discovered evidence. GRL makes no attempt to explain why it could not have sought
27 admissible evidence before it filed its Relief from Stay Motion. In the Ninth Circuit,
28 motions for reconsideration "should not be granted unless the District Court is

1 presented with newly discovered evidence, committed clear error, or if there has
2 been an intervening change in the law. *McDowell v. Calderon*, 197 F.3d 1253, 1255
3 (9th Cir. 1999); *see also Kona Enterprises, Inc. v. Estate of Bishop*, 229 F.3d 734,
4 740 (9th Cir. 2000); and *Zimmerman v. City of Oakland*, 255 F.3d 734, 740 (9th Cir.
5 2001.) The only basis upon which GRL seems to rest is newly discovered evidence.
6 But the record GRL has made evidences only that GRL did little to assemble
7 evidence before the February 25, 2020, hearing, had no admissible evidence at the
8 hearing, and only obtained what it now claims as evidence by abusing the discovery
9 process in the pending adversary proceeding, after the hearing on the Relief from
10 Stay Motion. Evidence on a motion for reconsideration must be evidence that
11 existed at the time of the trial or hearing that the movant could not have presented,
12 despite diligence. Evidence that did not exist at the time of the trial or hearing is not
13 admissible at all. Relief under Rule 60(b)(2) requires that the evidence: (1) existed at
14 the time of the trial; (2) could not have been discovered through due diligence; and
15 (3) was of such magnitude that production of it earlier would have been likely to
16 change the disposition of the case. *In re Cruz*, 516 B.R. 594, 604–05 (B.A.P. 9th Cir.
17 2014) (citing *Jones v. Aero/Chem Corp.*, 921 F.2d 875, 878 (9th Cir. 1990). The
18 same rule applies to Rule 59 motions. *Jones v. Aero/Chem Corp*, 921 F.2d at 878.

19 Moreover, as shown above, the Trustee has done what the Court has
20 previously ordered the Debtor-in-Possession and its successor, the Trustee, to do:
21 segregate the funds believed to be insider royalties, pending further order of the
22 Court.

23 ///

24 ///

25 ///

26 ///

27 ///

28 ///

IV.

CONCLUSION

The Motion for Reconsideration should be denied, without prejudice to GRL pursuing its claims, if any, in the pending adversary proceeding.

DATED: May 1, 2020

DANNING, GILL, ISRAEL &
KRASNOFF, LLP

By: /s/ GEORGE E. SCHULMAN

GEORGE E. SCHULMAN

ZEV SHECHTMAN

Attorneys for Michael A. McConnell,
Chapter 11 Trustee

DECLARATION OF MICHAEL A. MCCONNELL

I, Michael A. McConnell, declare and state as follows:

1. I am the Chapter 11 trustee (“Trustee”) of HVI Cat Canyon, Inc. (“Debtor”). I was appointed as Trustee by order of this Court (doc. no. 431) entered on October 22, 2019 .

2. I have personal knowledge of each of the facts herein, except those set forth on information and belief and, as to those matters, I believe them to be true. If called as a witness, I could and would testify competently with respect to such facts.

3. I make this declaration in support of the above opposition to the Motion to Reconsider (doc. no. 900) (the “Reconsideration Motion”) the order (doc. no. 866) denying the relief from stay motion (doc. no. 767) filed by GRL, LLC (“Movant” or “GRL”).

Debtor’s Background and Bankruptcy Filing

4. The Debtor is a Colorado corporation conducting business in the State of California. It is the owner and operator of producing oil and gas interests in California.

5. On July 25, 2019 (the “Petition Date”), the Debtor filed a voluntary petition for relief under Chapter 11 of title 11 of the United States Code. The case was originally filed in the Southern District of New York. It was transferred to the Northern District of Texas, and then later to the Central District of California.

6. The Debtor initially operated its business as a “debtor in possession,” allowing it to exercise substantially all rights of a trustee in the bankruptcy case.

7. The assets of the Debtor’s estate include the Debtor’s rights to extract oil and/or gas and/or minerals from numerous properties located in Santa Barbara, Kern, and Orange Counties (the “Oil and Gas Rights”).

1 8. The Oil and Gas Rights are memorialized in documents described as oil,
2 gas, and/or mineral leases recorded in the relevant county recorders' offices (the "Oil
3 and Gas Leases").

4
5 **The Debtor's Affiliates and Insiders**

6 9. The Debtor has a number of affiliates and insiders including, among
7 others:

8 a. California Asphalt Production, Inc., formerly known as Greka
9 Refining Company, formerly known as Santa Maria Mining Company, a California
10 corporation ("CAP"), operating in Santa Barbara County, California. See doc. no.
11 171 at ECF p. 296 (identifying CAP as an insider and affiliate). RJN Exhibit "1."

12 b. GLR, LLC, a Delaware limited liability company ("GLR"). See
13 doc. no. 171 at ECF p. 294, 296 (identifying GLR as an insider and affiliate). RJN
14 Exhibit "1."

15 c. GRL, LLC, a Delaware limited liability company ("GRL"). See
16 doc. no. 171 at ECF p. 294, 295 (identifying GRL as an insider and affiliate). RJN
17 Exhibit "1."

18 10. The person who signed the Debtor's Statement of Financial Affairs
19 under penalty of perjury is Randeep S. Grewal, as Chairman of the Debtor. See doc.
20 no. 171 at ECF p. 288. RJN Exhibit "1." As discussed further below, Mr. Grewal
21 also signed, as GRL's principal, the declaration in support of the relief from stay
22 motion underlying the order that is the subject of the current Reconsideration
23 Motion. Doc. no. 767 at ECF pp. 7-8.

24 11. Prior to and since the Petition Date, CAP operated and operates a
25 refinery in Santa Maria, California (the "Refinery").

26 12. Until, as Trustee, I rejected them, the Debtor had written agreements
27 with CAP.

13. The Debtor and later I, as Trustee, delivered crude oil to CAP.

14. CAP was required to pay the Debtor and the estate for the crude oil the Debtor delivered to CAP.

15. In or around November 2019 I billed CAP \$1.8 for crude oil shipped to CAP in October 2019 crude oil, and CAP paid the estate only \$300,000.

Cash Collateral Orders, Treatment of Royalty Payments Allegedly Owed to Insiders or Affiliates of Debtor, and Appointment as Chapter 11 Trustee

16. On August 14, 2019, the presiding court in this case (then in New York) entered an interim cash collateral order, which stated, in pertinent part:

9. Absent further order of the Court or written consent of the Secured Lender UBS for payments specifically designated as a royalty payment or surface lease payment to an insider or affiliate, the Debtor shall not make the following payments: (i) any royalty payments or surface lease payments to insiders or affiliates of the Debtor or (ii) any payment of legal fees for the Debtor or any committee, but the Debtor shall hold such payments in an interest-bearing escrow or segregated account. All such issues are expressly reserved for future determination. The Cash Collateral Budget attached hereto includes certain items for accounting purposes only; this Order does not permit payment of these items under this Order. Notwithstanding anything to the contrary, Cash Collateral shall only be used to pay those items in the Cash Collateral Budget that have been specifically approved. For the avoidance of doubt, the Debtor has no authority to make any (i) insider or affiliate royalty payments, (ii) insider or affiliate surface lease payments, (iii) professional fee payments, or (iv) other payments which are listed below the line in the Cash Collateral Budget for accounting purposes but not authorized by this Order, regardless of whether any such payments listed in (i)-(iv) are included in the Cash Collateral Budget.

Doc. no. 43 at pp. 8-9, ¶ 9 (emphasis added).

17. On October 8, 2019, this Court entered an interim order on consensual use of cash collateral. It provided for the same limitations provided in the above quoted paragraph of the August 14, 2019 interim cash collateral order. See doc. no. 375 at pp. 6-7.

1 18. On or about October 16, 2019, the Court entered its order directing the
2 United States Trustee to appoint a Chapter 11 trustee (doc. no. 431). That order
3 granted the motions of two creditors, who alleged a variety of problems with the
4 Debtor including, but not limited to, the Debtor's transactions with affiliates and/or
5 insiders (doc. nos. 356, 363).

6 19. The order approving my appointment as Trustee was entered on October
7 22, 2019 (doc. no. 431)

8 20. On November 27, 2019, this Court entered its cash collateral order,
9 which included the following language:

10 Absent further order of the Court or written consent of UBS for
11 payments specifically designated as a royalty payment or surface lease
12 payment to an insider or affiliate, neither Debtor nor the Trustee shall
13 make the following payments directly or indirectly: (i) any royalty
14 payments or surface lease payments to insiders or affiliates of the
15 Debtor or (ii) any payment of professional fees for the Debtor or any
16 committee, but the Trustee shall hold any such payments provided for in
17 the Budget in an interest-bearing escrow or segregated account. All such
18 issues are expressly reserved for future determination. The Budget
19 includes certain items for accounting purposes only; this Final Order
20 does not permit payment of these items. Notwithstanding anything to
21 the contrary, the proceeds of the Facility and Cash Collateral shall only
22 be used to pay those items in the Budget that have been specifically
approved by UBS or Huron and to escrow payments as set forth above.
For the avoidance of doubt, neither the Debtor nor the Trustee has any
authority to make, directly or indirectly, any (i) insider or affiliate
royalty payments; (ii) insider or affiliate surface lease payments; (iii)
professional fee payments, except payments authorized for the Trustee's
professionals or Committee's professionals under this Final Order; or
(iv) other payments which are listed below the line in the Budget for
accounting purposes but not authorized by this Final Order, regardless
of whether any such payments listed in (i)-(iv) are included in the
Budget. Doc. no. 572 at pp. 12-13, ¶15. Thus, at least three orders have
been entered which I understand prohibit the estate from paying
royalties to insiders or affiliates.

23 RJN Exhibit "4."

24
25 **The GRL Royalties**

26 21. Upon my appointment, I received \$39,752.85 from the Debtor on
27 account of royalties owed to GRL, which were in a segregated account. The day
28 after my appointment, on October 23, 2019, I opened a new bank account for the

1 insider royalties allegedly owed to GRL, and deposited the \$39,752.85 which I
2 received from the Debtor. That account was and remains at Wells Fargo Bank,
3 account number ending in 0268 (the “Insider Escrow Deposit Account”).

4 22. At the time that these monies (i.e., \$39,752.85) were turned over to me
5 by the Debtor, the account was substantially underfunded for the months when the
6 Debtor was in possession at the time of payment, August and September 2019. In
7 the period prior to my appointment and in years before the bankruptcy filing, the
8 Debtor typically did not pay (non-insider) royalty claimants except, to some extent, if
9 claimants litigated or threatened termination.

10 23. In the ordinary course, the Debtor receives payments for shipments of
11 crude oil on the twentieth day of the month following the shipment. For example,
12 payment for March 2020 crude oil shipments was due on April 20, 2020. Royalties
13 are calculated and paid (or segregated) by the week following the date of collection
14 of crude revenue. Thus, for example, for shipments in March 2020, payment to
15 royalty claimants would be the week after April 20, 2020."

16 24. Upon my appointment, I understood that I was required to “hold”
17 royalty payments or surface lease payments to insiders or affiliates of the Debtor
18 “provided for in the Budget in an interest-bearing escrow or segregated account”
19 (emphasis added). I understood based on the provisions of the cash collateral orders
20 quoted above that I was required to account for the royalties of insiders and affiliates
21 and estate professionals in much the same way. That is, I was required to segregate
22 funds on account of those estate obligations subject to further Court orders.
23 Consistent with this instruction, I accounted for the professional fees and insider or
24 affiliate royalties incurred during my tenure, setting aside and accounting for those
25 monies.

26 25. Although I accounted for the funds, during the period from November
27 20, 2019 through February 24, 2020, I did not deposit further monies in the Insider
28 Escrow Deposit Account during that time period.

1 26. Until February 24, 2020, I segregated royalties allegedly belonging to
2 GRL on the books of the estate.

3 27. However, in February, 2020, after consideration of multiplying,
4 increasingly adversarial and duplicative filings by the Debtor's affiliates, GRL and
5 GLR, in the Debtor's main case and the already pending avoidance action I filed
6 against GRL and GLR (Adversary Proceeding No. 9:20-ap-01006-MB), I decided to
7 transfer the monies set aside for GRL and GLR to the Insider Escrow Deposit
8 Account.

9 28. Accordingly, on February 24, 2020, I deposited \$84,621.05 into the
10 Insider Escrow Deposit Account on account of remaining royalties for oil sales in
11 July through October 2019 and December 2020 (\$32,121.05) and the Lakeview rent
12 for August 2019 through February 2020 (\$52,500), as reflected in Exhibit B to the
13 Reconsideration Motion, at page 17.

14 29. The document attached to the Reconsideration Motion at Exhibit C
15 correctly shows the funds in the Wells Fargo bank account number ending in 0268
16 on February 25, 2020 (i.e. \$124,373.90), the date of the hearing on the Relief from
17 Stay Motion, and provides an accounting showing both the surface lease component
18 owed to GLR and the oil royalty components owed to GRL.

19 30. As of April 20, 2020, the balance in Wells Fargo Bank account number
20 ending in 0268 was \$137,066.39, including: (a) \$4,136.72 which I deposited on
21 March 11, 2020 for January royalties; and (b) \$8,555.77 which I deposited on April
22 16, 2020 for February royalties.

23 31. I continue to segregate insider royalties in the separate account.

24 32. Accounting in this case has been hampered by longstanding financial
25 and management problems of the Debtor, not least of which is the tangled web of
26 relationships with and among the Debtor's affiliates, all of which are controlled by
27 Mr. Grewal. Those accountings were further hampered and complicated by the fact
28 that CAP on November 20, 2019 paid me only \$300,000 on account of a \$1.8 million

1 invoice for crude oil CAP had purchased from the Debtor during the month of
2 October 2019. CAP paid the Debtor nothing for crude oil CAP received from the
3 Debtor in November 2019. Production was largely stopped due to governmental
4 order in December 2019, resulting in very minimal sales.

5
6 I declare under penalty of perjury under the laws of the United States of
7 America that the foregoing is true and correct.

8 Executed on this 1st day of May, 2020, at Fort Worth, Texas.

9
10 /s/ MICHAEL A. McCONNELL
11 Michael A. McConnell
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REQUEST FOR JUDICIAL NOTICE

Michael A. McConnell, as Chapter 11 Trustee (“Trustee”) hereby respectfully requests that the Court take judicial notice of the following facts under Fed. R. Evid. 201:

1. On July 25, 2019, the Debtor filed its voluntary Chapter 11 petition commencing this bankruptcy case. The case was originally filed in the Southern District of New York. The case was transferred to the Northern District of Texas, and then later to the Central District of California.

2. On August 14, 2019, the presiding court in this case (then in New York) entered an interim cash collateral order. Case doc. no. 4.

3. On October 8, 2019, this Court entered an interim order on consensual use of cash collateral. Case doc. no. 375.

4. On October 16, 2019, the Court entered its order directing the United States Trustee to appoint a Chapter 11 trustee. Case doc. no. 431. That order granted the motions of two creditors. Case doc. nos. 356, 363.

5. GRL, LLC and GLR, LLC are listed on the Debtor’s Statement of Financial Affairs as an affiliate and insider. See Exhibit “1” hereto, excerpts from Schedules and Statement of Financial Affairs, Case doc. no. 171, pages 294-296.

6. Mr. Grewal signed the Debtor’s Schedules and Statement of Financial Affairs, as the Debtor’s Chairman. Case doc. no. 171, pages 288, 316. Exhibit “1.”

7. The order approving the Trustee’s appointment was entered on October 22, 2019. Case doc. no. 431.

8. On November 27, 2019, this Court entered its cash collateral order. Case doc. no. 572. A copy of such order is attached hereto as Exhibit “2.”

9. On January 9, 2020, the Trustee filed a complaint against GRL, LLC and GLR, LLC, commencing adversary proceeding number 9:20-ap-01006-MB (the “Avoidance Action”).

1 10. On February 3, 2020, GRL, LLC and GLR, LLC filed an answer and
2 counterclaim in the Avoidance Action.

3 11. On February 3, 2020, GRL, LLC filed its Relief from Stay Motion.
4 Case doc. no. 767.

5 12. The Trustee filed an opposition to the Relief from Stay Motion. (Case
6 doc. no. 787.) The Trustee also filed objections to the evidence proffered. (Case
7 doc. no. 789.)

8 13. Opposition to the GRL Motion for Relief from Stay was filed by UBS,
9 AG, on February 11, 2020 (case doc. no. 784).

10 14. UBS AG also filed objections to Mr. Grewal's declaration. (Case doc.
11 no. 785.)

12 15. Oppositions were also filed by the State Lands Commission (case doc.
13 no. 790); and Buganko, LLC (case doc. no. 791).

14 16. A reply was filed by GRL. Case doc. no. 808.

15 17. On February 25, 2020, a hearing was held on GRL's Motion for Relief
16 from Stay, and it was denied. Case doc no. 825.

17 18. A copy of the February 25, 2020 hearing transcript is attached hereto as
18 Exhibit "3."

19 19. A copy of the tentative ruling for the February 25, 2020 hearing is
20 attached hereto as Exhibit "4."

1 20. On March 23, 2020, the Court entered its Order Denying the Relief from
2 Stay Motion. Case doc. no. 866. A copy of such order is attached hereto as Exhibit
3 “5.”

4
5 DATED: May 1, 2020

DANNING, GILL, ISRAEL &
KRASNOFF, LLP

6
7
8 By: /s/ GEORGE E. SCHULMAN
9 GEORGE E. SCHULMAN
10 ZEV SHECHTMAN
11 Attorneys for Michael A. McConnell,
12 Chapter 11 Trustee
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EXHIBIT "1"

Fill in this information to identify the case:

Debtor name: HVI Cat Canyon, Inc.

United States Bankruptcy Court for the: Northern District of

TX 19-32857

☐ Check if this is an amended filing

Official Form 206A/B

Schedule A/B: Assets — Real and Personal Property

12/15

Disclose all property, real and personal, which the debtor owns or in which the debtor has any other legal, equitable, or future interest. Include all property in which the debtor holds rights and powers exercisable for the debtor's own benefit. Also include assets and properties which have no book value, such as fully depreciated assets or assets that were not capitalized. In Schedule A/B, list any executory contracts or unexpired leases. Also list them on *Schedule G: Executory Contracts and Unexpired Leases* (Official Form 206G).

Be as complete and accurate as possible. If more space is needed, attach a separate sheet to this form. At the top of any pages added, write the debtor's name and case number (if known). Also identify the form and line number to which the additional information applies. If an additional sheet is attached, include the amounts from the attachment in the total for the pertinent part.

For Part 1 through Part 11, list each asset under the appropriate category or attach separate supporting schedules, such as a fixed asset schedule or depreciation schedule, that gives the details for each asset in a particular category. List each asset only once. In valuing the debtor's interest, do not deduct the value of secured claims. See the instructions to understand the terms used in this form.

Part 1: Cash and cash equivalents

1. Does the debtor have any cash or cash equivalents?

- ☐ No. Go to Part 2.
☒ Yes. Fill in the information below.

All cash or cash equivalents owned or controlled by the debtor

Current value of debtor's interest

2. Cash on hand

\$ 5,000.00

3. Checking, savings, money market, or financial brokerage accounts (Identify all)

Name of institution (bank or brokerage firm)	Type of account	Last 4 digits of account number	
3.1. See Attachment			\$ 48,448.73
3.2.			\$

4. Other cash equivalents (Identify all)

4.1.		\$
4.2.		\$

5. Total of Part 1

\$ 53,448.73

Add lines 2 through 4 (including amounts on any additional sheets). Copy the total to line 80.

Part 2: Deposits and prepayments

6. Does the debtor have any deposits or prepayments?

- ☐ No. Go to Part 3.
☒ Yes. Fill in the information below.

Current value of debtor's interest

7. Deposits, including security deposits and utility deposits

Description, including name of holder of deposit

7.1. See Attachment	\$ 728,828.58
7.2.	\$

0032

Debtor

HVI Cat Canyon, Inc.

Name

Case number (if known)

19-32857

Name and address of recipient

30.2

Name

Street

City

State

ZIP Code

Relationship to debtor

31. Within 6 years before filing this case, has the debtor been a member of any consolidated group for tax purposes?

☐ No☒ X Yes. Identify below.

Name of the parent corporation

Employer identification number of the parent corporation

GIT, Inc.

EIN: 91-1986286

32. Within 6 years before filing this case, has the debtor as an employer been responsible for contributing to a pension fund?

☒ X No☐ Yes. Identify below.

Name of the pension fund

Employer identification number of the pension fund

EIN: _ _ - _ _ _ _ _

Part 14: Signature and Declaration

WARNING -- Bankruptcy fraud is a serious crime. Making a false statement, concealing property, or obtaining money or property by fraud in connection with a bankruptcy case can result in fines up to \$500,000 or imprisonment for up to 20 years, or both.
18 U.S.C. §§ 152, 1341, 1519, and 3571.

I have examined the information in this *Statement of Financial Affairs* and any attachments and have a reasonable belief that the information is true and correct.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on 09/06/2019
MM / DD / YYYY

X

Signature of individual signing on behalf of the debtor

Printed name Randeep S. GrewalPosition or relationship to debtor ChairmanAre additional pages to *Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy* (Official Form 207) attached?☐ No☒ X Yes

Attachment to Part 2

Official Form 207

Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy

04/19

The debtor must answer every question. If more space is needed, attach a separate sheet to this form.

On the top of any additional pages, write the debtor's name and case number (if known).

Debtor name: HVI CAT Canyon, Inc.

Case number: 19-32857

Part 2: List Certain Transfers Made Before Filing for Bankruptcy

4. Payments or other transfers of property made within 1 year before filing this case that benefited any insider

List payments or transfers, including expense reimbursements, made within 1 year before filing this case on debts owed to an insider or guaranteed or cosigned by an insider unless the aggregate value of all property transferred to or for the benefit of the insider is less than \$6,825. (This amount may be adjusted on 4/01/22 and every 3 years after that with respect to cases filed on or after the date of adjustment.) Do not include any payments listed in line 3. Insiders include officers, directors, and anyone in control of a corporate debtor and their relatives; general partners of a partnership debtor and their relatives; affiliates of the debtor and insiders of such affiliates; and any managing agent of the debtor. 11 U.S.C. § 101(31).

Insider's Name and address	Dates	Total amount of value	Reason for payment or transfer
----------------------------	-------	-----------------------	--------------------------------

4.1

GLR, LLC	8/6/2018	\$112,500	Payment of Rent
45 Rockefeller Plaza, Suite 2410	4/19/2019		
New York, NY 10111			

Relationship to debtor

Affiliate

4.2

GRL, LLC	7/31/2018	\$330,346	Royalty Payments
45 Rockefeller Plaze, Suite 2410	Through		
New York, NY 10111	10/26/2018		

Relationship to debtor

Affiliate

4.3

Greka Construction, LLC	8/1/2018	\$108,000	Construction/Maintenance Services
2617 Clark Avenue	Through		
Santa Maria, CA 93454	1/18/2019		

Relationship to debtor

Affiliate

Attachment to Part 2

Official Form 207

Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy

04/19

The debtor must answer every question. If more space is needed, attach a separate sheet to this form.

On the top of any additional pages, write the debtor's name and case number (if known).

Debtor name: HVI CAT Canyon, Inc.

Case number: 19-32857

Part 2: List Certain Transfers Made Before Filing for Bankruptcy

4. Payments or other transfers of property made within 1 year before filing this case that benefited any insider

List payments or transfers, including expense reimbursements, made within 1 year before filing this case on debts owed to an insider or guaranteed or cosigned by an insider unless the aggregate value of all property transferred to or for the benefit of the insider is less than \$6,825. (This amount may be adjusted on 4/01/22 and every 3 years after that with respect to cases filed on or after the date of adjustment.) Do not include any payments listed in line 3. Insiders include officers, directors, and anyone in control of a corporate debtor and their relatives; general partners of a partnership debtor and their relatives; affiliates of the debtor and insiders of such affiliates; and any managing agent of the debtor. 11 U.S.C. § 101(31).

4.4

GTL1, LLC	7/30/2018	\$1,808,000	Transportation Services
1700 Sinton Road	Through	.	
Santa Maria, CA 93458	4/1/2019		

Relationship to debtor

Affiliate

4.5

GIT, Inc.	7/30/2018	\$2,292,000	Admin Services
1700 Sinton Road	Through		
Santa Maria, CA 93458	7/19/2019		

Relationship to debtor

Affiliate

4.6

GRL, LLC	Jan-19	Returned defaulted,	Lease Termination due to
45 Rockefeller Plaze, Suite 2410		non-producing property	non-payment of shut in
New York, NY			royalties

Relationship to debtor

Affiliate

Attachment to Part 2

Official Form 207

Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy

04/19

The debtor must answer every question. If more space is needed, attach a separate sheet to this form.

On the top of any additional pages, write the debtor's name and case number (if known).

Debtor name: HVI CAT Canyon, Inc.

Case number: 19-32857

Part 2: List Certain Transfers Made Before Filing for Bankruptcy

4. Payments or other transfers of property made within 1 year before filing this case that benefited any insider

List payments or transfers, including expense reimbursements, made within 1 year before filing this case on debts owed to an insider or guaranteed or cosigned by an insider unless the aggregate value of all property transferred to or for the benefit of the insider is less than \$6,825. (This amount may be adjusted on 4/01/22 and every 3 years after that with respect to cases filed on or after the date of adjustment.) Do not include any payments listed in line 3. Insiders include officers, directors, and anyone in control of a corporate debtor and their relatives; general partners of a partnership debtor and their relatives; affiliates of the debtor and insiders of such affiliates; and any managing agent of the debtor. 11 U.S.C. § 101(31).

4.7

GLR, LLC	Jan-19	Returned defaulted,	Lease Termination due to
45 Rockefeller Plaze, Suite 2410		non-producing property	non-payment of shut in
New York, NY			royalties

Relationship to debtor

Affiliate

4.8

California Asphalt Production, Inc.	7/26/2018	\$7,176,390	Supplier
1660 Sinton Road	Through		
Santa Maria, CA 93458	7/25/2019		

Relationship to debtor

Affiliate

Fill in this information to identify the case and this filing:

Debtor Name HVI Cat Canyon, Inc.
United States Bankruptcy Court for the: Northern District of TX
Case number (if known): 19-32857 (State)

Official Form 202

Declaration Under Penalty of Perjury for Non-Individual Debtors

12/15

An individual who is authorized to act on behalf of a non-individual debtor, such as a corporation or partnership, must sign and submit this form for the schedules of assets and liabilities, any other document that requires a declaration that is not included in the document, and any amendments of those documents. This form must state the individual's position or relationship to the debtor, the identity of the document, and the date. Bankruptcy Rules 1008 and 9011.

WARNING -- Bankruptcy fraud is a serious crime. Making a false statement, concealing property, or obtaining money or property by fraud in connection with a bankruptcy case can result in fines up to \$500,000 or imprisonment for up to 20 years, or both. 18 U.S.C. §§ 152, 1341, 1519, and 3571.

Declaration and signature

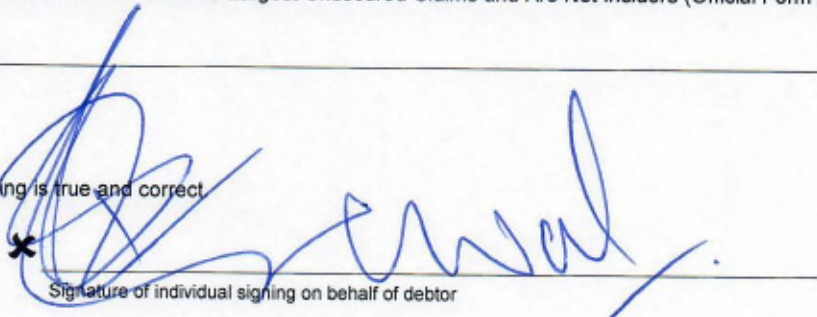
I am the president, another officer, or an authorized agent of the corporation; a member or an authorized agent of the partnership; or another individual serving as a representative of the debtor in this case.

I have examined the information in the documents checked below and I have a reasonable belief that the information is true and correct:

- ☒ *Schedule A/B: Assets—Real and Personal Property* (Official Form 206A/B)
- ☒ *Schedule D: Creditors Who Have Claims Secured by Property* (Official Form 206D)
- ☒ *Schedule E/F: Creditors Who Have Unsecured Claims* (Official Form 206E/F)
- ☒ *Schedule G: Executory Contracts and Unexpired Leases* (Official Form 206G)
- ☒ *Schedule H: Codebtors* (Official Form 206H)
- ☒ *Summary of Assets and Liabilities for Non-Individuals* (Official Form 206Sum)
- ☐ Amended Schedule _____
- ☐ *Chapter 11 or Chapter 9 Cases: List of Creditors Who Have the 20 Largest Unsecured Claims and Are Not Insiders* (Official Form 204)
- ☐ Other document that requires a declaration _____

I declare under penalty of perjury that the foregoing is true and correct.

Executed on 09/06/2019
MM / DD / YYYY


Signature of individual signing on behalf of debtor

Randeep S. Grewal

Printed name

Chairman

Position or relationship to debtor

EXHIBIT "2"

ERIC P. ISRAEL (State Bar No. 132426)
eisrael@dgdk.com
JOHN N. TEDFORD, IV (State Bar No. 205537)
jtedford@dgdk.com
AARON E. DE LEEST (State Bar No. 216832)
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DANNING, GILL, ISRAEL & KRASNOFF, LLP
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Los Angeles, California 90067-6006
Telephone: (310) 277-0077
Facsimile: (310) 277-5735

*Proposed Attorneys for Michael A. McConnell,
Chapter 11 Trustee*



CHANGES MADE BY COURT

**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
NORTHERN DIVISION**

In re:

HVI CAT CANYON, INC.,
Debtor.

Case No. 9:19-bk-11573-MB

Chapter 11

**FINAL ORDER FOR EMERGENCY
PRIMING AND SUPERPRIORITY
FINANCING AND CONSENSUAL USE OF
CASH COLLATERAL BY THE CHAPTER
11 TRUSTEE**

Hearing

Date: November 21, 2019

Time: 2:30 p.m.

Place: Courtroom 201
1415 State Street
Santa Barbara, California

1 This *Final Order for Emergency Priming and Superpriority Financing and Consensual Use*
2 *of Cash Collateral by the Chapter 11 Trustee* (this “Final Order”) is entered as of November [21],
3 2019, with respect of the following facts:

4 On October 4, 2019 the Court denied the *Debtor’s Motion for Interim and Final Orders*
5 *Pursuant to 11 U.S.C. §§ 105, 361, 362 and 363 Approving Use of Cash Collateral, Providing*
6 *Adequate Protection and Setting Final Hearing Pursuant to Bankruptcy Rule 4001*[ECF No. 11]
7 (the “Cash Collateral Motion”) and the *Motion of the Debtor to Surcharge Collateral Pursuant to*
8 *11 U.S.C. §§ 506(c) and 552(b)* [ECF No. 55] (the “Surcharge Motion”).

10 On October 8, 2019, the Court entered an *Agreed Order for Consensual Use of Cash*
11 *Collateral* [ECF No. 375] (the “Consensual Cash Collateral Order”), whereby UBS AG, London
12 Branch (“UBS AG, London Branch”), the debtor and debtor in possession (the “Debtor”), the
13 Official Committee of Unsecured Creditors (the “Committee”), and GIT, Inc. (“GIT”), in
14 anticipation of a hearing on motions seeking appointment of a Chapter 11 trustee, agreed to use of
15 cash collateral (as that phrase is defined in Section 363(a) of the Bankruptcy Code, “Cash
16 Collateral”) for an interim period ending October 25, 2019. On October 16, 2019, the Court entered
17 the *Agreed Order Granting Motion for Appointment of a Chapter 11 Trustee* [ECF No. 409] and
18 approved appointment of Michael McConnell as the Chapter 11 trustee in this case (the “Trustee”)
19 on October 22, 2019 [ECF No. 431].

21 Shortly before authority for use of Cash Collateral expired under the Consensual Cash
22 Collateral Order, the Trustee and UBS AG, London Branch learned that the Debtor did not have
23 sufficient cash to fund payroll and other operating expenses scheduled for payment. To address
24 the immediate cash need, on October 24, 2019, the Trustee filed his *Notice of Motion and Trustee’s*
25 *Emergency Motion for (1) Authority to Accept a Partial Prepayment of the Amount Owed by*
26 *California Asphalt Production, Inc. to the Estate, or in the Alternative for Authority to Obtain*
27

1 “Credit” in the Form of Such Prepayment, and (2) Waiver of any Stay Imposed by FRBP 6004(h);
2 and Memorandum of Points and Authorities, Declaration of Tim Skillman, and Request for Judicial
3 Notice in Support Thereof [ECF No. 439] (the “Emergency Motion”). Following the October 25,
4 2019 emergency hearing, the Court entered the *Order Granting Trustee’s Emergency Motion for*
5 *(1) Authority to Accept a Partial Prepayment of the Amount Owed by California Asphalt*
6 *Production, Inc. to the Estate, or in the Alternative for Authority to Obtain “Credit” in the Form*
7 *of Such Prepayment, and (2) Waiver of any Stay Imposed by FRBP 6004(h)* [ECF No. 449], granting
8 authorizing the Trustee to accept a partial prepayment from California Asphalt Production, Inc.
9 (“CAP”).

11 On November 7, 2019, the Trustee filed his *Emergency Motion for an Order: (1)*
12 *Authorizing the Trustee to Obtain Secured Priming Superpriority Financing; (2) Authorizing The*
13 *Continued Use of Cash Collateral; (3) Scheduling a Final Hearing; and (4) Granting Related Relief*
14 [ECF No. 474] (the “Motion”) for authorization to obtain post-petition financing from UBS AG,
15 Stamford Branch (“UBS AG, Stamford Branch” and together with UBS AG, London Branch,
16 “UBS”) and continue to use the Cash Collateral of UBS AG, London Branch.

18 On November 8, 2019, the Court conducted an initial interim hearing on the Motion and
19 entered the *Interim Order on Trustee’s Emergency Motion for an Order: (1) Authorizing the*
20 *Trustee to Obtain Secured Priming Superpriority Financing; (2) Authorizing Continued Use of*
21 *Cash Collateral; (3) Scheduling a Final Hearing; and (4) Granting Related Relief* [ECF No. 480]
22 (the “Interim Order”), authorizing up to \$267,317 borrowings through a further interim hearing on
23 November 12, 2019.

25 On November 12, 2019, the Court conducted the further interim hearing and authorized
26 post-petition financing on an interim basis. On November 18, 2019, the Court entered the *Second*
27 *Interim Order on Trustee’s Emergency Motion for an Order: (1) Authorizing the Trustee to Obtain*

1 Secured Priming Superpriority Financing; (2) Authorizing Continued Use of Cash Collateral; (3)
2 Scheduling a Final Hearing; and (4) Granting Related Relief [ECF No. 524] (the “Second Interim
3 Order”).

4 Based upon the Motion, and the financing pursuant to the credit agreement attached to the
5 Motion and the Trustee’s use of Cash Collateral, such use being found necessary to avoid
6 immediate and serious harm to the estate and potential harm to the public health and safety as
7 contemplated by Bankruptcy Rule 4001(b) and (c), a final hearing to consider approval of the
8 Motion having been held on November 21, 2019 (the “Final Hearing”), notice and opportunity for
9 hearing being sufficient under the circumstances, and upon the findings of fact and conclusions of
10 law made by the Court at the interim hearings and the Final Hearing, all of which are incorporated
11 herein by reference, and good cause appearing therefor,
12

13 **IT IS HEREBY FOUND AND ORDERED AS FOLLOWS:**

14
15 1. Motion Granted. The Motion is granted on a final basis and the Facility (as defined
16 below) and the Credit Agreement attached as Exhibit 3 to the Trustee’s Declaration (as amended,
17 supplemented or otherwise modified from time to time, the “Credit Agreement”) are approved
18 subject to limitations expressly set forth herein. Any objection to the Motion with respect to entry
19 of this Final Order that have not been withdrawn, waived or settled, and any reservation of rights
20 included therein, are hereby denied and overruled except as expressly set forth herein. ~~Except as~~
21 ~~specifically amended, supplemented, or otherwise modified by this Final Order, all provisions of~~
22 ~~the Second Interim Order remain in full force and effect and are hereby ratified by this Final Order~~
23 ~~and incorporated herein by reference as though set forth fully below.~~

24
25 2. Jurisdiction and Venue. The Court has jurisdiction over this matter pursuant to 28
26 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The statutory
27 predicates for the relief granted herein are section 364 of the Bankruptcy Code and Bankruptcy
28

1 Rule 4001(c). Venue of this Chapter 11 proceeding and the Motion is proper in this district pursuant
2 to 28 U.S.C. § 1408 and 1409.

3 3. Hearing Held; Notice. The Final Hearing was held pursuant to Bankruptcy Rules
4 4001(c)(2). Notice of the Final Hearing and the relief requested in the Motion was given as set
5 forth in the proof of service filed by the Trustee.

6 4. No Credit Available on More Favorable Terms. The Trustee, on behalf of the
7 Debtor and the Debtor's estate, is unable to find sufficient financing from sources other than UBS
8 AG, Stamford Branch on terms more favorable than the terms for the term loan facility (the
9 "Facility") described in the Credit Agreement.

10 5. Need for Post-Petition Financing and Use of Cash Collateral. This financing is
11 critical for the Debtor to continue its operations in the ordinary course. The Facility, the Trustee's
12 entry into the Credit Agreement, and related relief is necessary to avoid immediate and irreparable
13 harm to the Debtor's estate, its employees, and all parties-in-interest. The Facility is the best source
14 of financing available to the Debtor under the circumstances and was entered into in good faith and
15 at arm's-length.

16 6. Protective Advances. The advances under the Facility shall constitute advances to
17 protect and preserve the collateral under that certain First Lien Credit Agreement dated as of May
18 20, 2016 and that certain Second Lien Credit Agreement dated as of May 20, 2016 among the
19 Debtor, Rincon Island Limited Partnership, GOGH, LLC and UBS AG, London Branch
20 (collectively, the "Prepetition Credit Agreements") and the obligations arising thereunder the
21 "Prepetition Obligations") and shall remain subject to any guarantee provided thereunder. For the
22 avoidance of doubt, all proceeds of the Facility shall constitute Cash Collateral.

23 7. Authorization for Emergency Financing. The Trustee is authorized on a final basis
24 to borrow, and UBS AG, Stamford Branch is authorized to advance, up to \$3 million in financing,
25

1 under the Credit Agreement, subject to the terms of this Final Order, and in accordance with the
2 budget attached hereto as Exhibit 1 (including all terms and conditions set forth therein and as may
3 be updated from time to time in accordance with the Credit Agreement, the “Budget”), subject to a
4 line-item variance of ten percent (10%) of the expenses set forth in the Budget tested on a
5 cumulative basis by disbursement categories contained in the Budget (the “Permitted Variance”).
6
7 The Trustee and UBS AG, Stamford Branch are authorized to extend the availability period under
8 the Credit Agreement by up to two weeks and increase the amount of financing by an aggregate
9 amount of up to \$500,000 upon mutual agreement of the Trustee and UBS AG, Stamford Branch
10 without further order of this Court. All advances provided by UBS AG, Stamford Branch under
11 the Facility prior to the Final Hearing, including but not limited to the \$197,516 advanced by UBS
12 AG, Stamford Branch on an emergency basis pursuant to the Interim Order and the \$994,346
13 advanced by UBS AG, Stamford Branch pursuant to the Second Interim Order, shall be subject to
14 ~~the terms of the Second Interim Order~~ remain subject to the terms of those orders, as incorporated
15 ~~into this Final Order and~~, notwithstanding anything to the contrary in this Final Order, ~~shall remain~~
16 ~~senior in priority to all other liens.~~ Any advances provided by UBS AG, Stamford Branch under
17 the Facility after November 21, 2019 shall be subject to the terms of this Final Order and, to the
18 extent Santa Barbara has valid, senior, perfected, and non-avoidable liens for ad valorem taxes
19 under applicable law, shall be junior in priority and subject to such valid, senior, perfected, and
20 non-avoidable ad valorem tax liens in favor of Santa Barbara. Immediately upon entry of this Final
21 Order, the Trustee shall, and is hereby authorized on a final basis to, execute and deliver to UBS
22 AG, Stamford Branch the Credit Agreement and all other loan documents required to be executed
23 and delivered under the Facility. The Trustee and counsel acting on behalf of the Trustee are further
24 authorized to take any such actions that may be necessary to implement the Facility and borrow
25 funds under the Credit Agreement as approved in this Final Order, including without limitation to
26
27
28

1 issue, execute and deliver any such certificates, borrowing requests or other documents and
2 directions that may be requested by UBS AG, Stamford Branch. Nothing in this Final Order shall
3 create any obligation of UBS to advance or lend any money to the Trustee or the Debtor, and any
4 such advances or loans shall be made by UBS AG, Stamford Branch only in accordance with the
5 terms and conditions of the Credit Agreement and this Final Order. UBS respectfully notes that,
6 should it agree to any additional financing beyond that provided pursuant to the terms of the Credit
7 Agreement as in effect on the date hereof, and it undertakes no commitment to do so, it anticipates
8 the interest rate for such financing will be higher than that provided hereunder to reflect limitations
9 on the lien granted by this Order and the additional risk associated with such financing. Any funds
10 advanced or loaned by UBS AG, Stamford Branch shall constitute a bona fide extension of credit
11 to a non-affiliated borrower for purposes of the secured creditor exemption under the
12 Comprehensive Environmental Response, Compensation Liability Act and comparable federal,
13 state and local law. UBS AG, Stamford Branch shall not be deemed an operator or owner of the
14 Debtor or any of its properties or incur any environmental or similar liabilities, including but not
15 limited to, liability for environmental compliance, remediation, restoration or natural resource
16 damages under any federal, state or local law solely as a result of providing funding, credit or
17 advances to the Trustee.

20 8. Based on the record before this Court, it appears (and the Trustee on behalf of the
21 Debtor has stipulated) that the terms of the Facility, the Credit Agreement and this Final Order are
22 fair and reasonable and are supported by reasonably equivalent value and fair consideration. The
23 Court further finds that the Trustee's agreement to the terms of the Facility and Credit Agreement
24 on behalf of the Debtor is a sound exercise of business judgment and should be approved as set
25 forth herein.

1 9. Amendment of the Credit Agreement. Following entry of this Final Order, the
2 Trustee is authorized to enter into any non-material amendment or modification to the Credit
3 Agreement and the loan documents entered into in connection therewith without further order of
4 this Court. The Trustee shall promptly provide notice of any such amendment or modification to
5 the Court, the United States Trustee, the Committee and Harry E. Hagen, as Treasurer-Tax
6 Collector of the County of Santa Barbara, California ("Santa Barbara"). To the extent that such
7 modification or amendment is material, such material modification or amendment shall only be
8 permitted pursuant to an order of this Court on notice pursuant to Local Rule 2002-1(b) and a
9 hearing. Except as otherwise provided herein, no waiver, modification, or amendment of any of
10 the provisions of the Credit Agreement shall be effective unless set forth in writing, signed by the
11 Trustee and UBS AG, Stamford Branch. For the avoidance of doubt, an amendment of the
12 availability period of the Facility by up to two weeks and an increase of the amount of the Facility
13 by up to \$500,000 in accordance with paragraph 7 of this Final Order shall not constitute a material
14 amendment. Notwithstanding anything to the contrary in the Credit Agreement, UBS's prior
15 consent to file a Chapter 11 plan is only required if the proposed Chapter 11 plan does not provide
16 for payment of the Obligations in full in cash on the effective date.

19 10. Use of Funds. The Trustee may use funds advanced under the Facility, on the terms
20 and conditions set forth herein and in the Credit Agreement, *provided that* all such funds are used
21 to pay approved operating expenses solely in accordance with the Budget (including all terms and
22 conditions set forth therein). The Trustee is authorized to use funds advanced under the Facility to
23 pay, or to fund a segregated account to pay, the reasonable fees and expenses for the Trustee's
24 professionals and the Committee's professionals, only to the extent such fees and expenses for the
25 Trustee's professional and the Committee's professionals are included in the Budget and accrued
26 prior to an Event of Default. The provisions for escrowing of funds shall differ for the Trustee's
27

professionals and for the Committee professionals, each of whom agrees to such difference. The Budget amount for the Committee professionals shall be \$70,000 for the five-week period (which includes the total Investigation Budget (as defined below)) and shall be requested promptly by the Trustee and escrowed immediately upon receipt. Accordingly, once such funds are escrowed, the Committee professionals shall not enjoy the benefits of the Carve-Out set forth in paragraph 16 of this Final Order. The liens of UBS and GLR are subordinated in such escrow funds to the extent professional fees and expenses are awarded to the professionals. With regard to the Trustee's professionals, in addition to the escrowed fund, they shall enjoy the benefit of the Carve-Out set forth in paragraph 16 of this Final Order. For the avoidance of doubt, the funds advanced under the Facility shall not be used for payment of any expense not specifically included and/or not approved for payment under the Budget or otherwise authorized by this Final Order.

11. Liens, Collateral and Obligations. Without limiting the approval set forth above, the Court grants as follows:

- (i) Except as set forth below, pursuant to section 364(c) and 364(d) of the Bankruptcy Code, UBS AG, Stamford Branch is granted valid and perfected first priority priming and senior security interests and liens (the "Financing Liens") in all property of the estate of the Debtor, including, but not limited to all of the Debtor's rights in tangible and intangible assets, including without limitation, all prepetition and post-petition assets of the Debtor's estate, whether existing on or as of the Petition Date or thereafter acquired, including without limitation, the Debtor's interest in oil and gas properties (and as-extracted collateral, goods, fixtures and hydrocarbons relating thereto), wells, accounts receivable, other rights to payment, any right to receive any residual of any retainer provided to any professionals after payment of such professional's allowed fees and expenses, cash, inventory, general intangibles, contracts, servicing rights, swap and hedge proceeds and termination payments, servicing receivables, securities, chattel paper, owned real estate, real property leaseholds, fixtures, machinery, equipment, deposit accounts, patents, copyrights, trademarks, trade names, rights under license agreements and other intellectual property, claims and causes of action (including those arising under sections 510 or 542 through 553 of the Bankruptcy Code, except as noted below), commercial tort claims, and the proceeds of all of the foregoing (the "Collateral") or proceeds thereof. The Financing Liens granted to UBS AG, Stamford Branch are valid, perfected and enforceable first priority priming and senior liens on all the Collateral that are superior to all other prepetition or post-petition liens, claims or security

interests in favor of any other lienholder, other than the Carve-Out (as defined below) and any valid, senior, perfected and non-avoidable ad valorem tax liens in favor of Santa Barbara (subject to the limitation set forth in paragraph 38 below). For the avoidance of doubt, the Financing Liens granted to UBS AG, Stamford Branch under the Second Interim Order for funds advanced prior to the Final Hearing shall remain senior in priority to any valid and perfected ad valorem tax liens. Notwithstanding anything to the contrary herein, the Financing Liens granted herein shall not attach to (a) avoidance claims of the estate against any party other than the Debtor's current and former insiders and affiliates or (b) the proceeds thereof. The Financing Lien shall only secure the Obligations (as defined below). UBS agrees, for the benefit of the Trustee and the Committee, that it will not look to recover from avoidance claims or proceeds without first making a reasonable good faith effort to collect from Prepetition Collateral (as defined below) to satisfy the Obligations.

(ii) The Financing Liens against the assets of the Debtor and the Collateral shall be, and hereby are, confirmed, and extend to and secure all obligations and indebtedness of the Trustee on behalf of the Debtor and the Debtor's estate to UBS AG, Stamford Branch under the Facility and the Credit Agreement (the "Obligations"). The Financing Liens shall be, and are hereby determined to be, first priority priming and senior liens that are superior to all other liens, claims or security interests, pre- or post-petition, other than the Carve-Out (as defined below) and any valid, senior, perfected and non-avoidable ad valorem tax liens in favor of Santa Barbara (subject to the limitation set forth in paragraph 38 below), except as specifically set forth in this Final Order. This Final Order shall be deemed to grant and perfect, and be sufficient and conclusive evidence of the validity, perfection and priority of the Financing Liens. UBS AG, Stamford Branch may, but shall not be required, to file or record financing statements, mortgages, notices of lien, or similar instruments in any jurisdiction or take any other action in order to validate and perfect the Financing Liens granted to them pursuant to this Final Order, and the stay imposed under section 362 of the Bankruptcy Code is hereby modified solely to permit the same. If UBS AG, Stamford Branch shall, in its sole discretion, choose to file such financing statements, mortgages, notices of lien or similar instruments or otherwise confirm perfection of and the Financing Liens, the Financing Liens granted herein shall be deemed perfected at the time and on the date of entry of this Final Order. Upon request by UBS AG, Stamford Branch, the Trustee is authorized, without the further consent of any party, to take any actions and to execute and deliver such instruments as may be necessary to enable UBS AG, Stamford Branch to further perfect, preserve and enforce the Financing Liens granted to UBS AG, Stamford Branch by this Final Order.

(iii) For all Obligations, UBS AG, Stamford Branch is granted an allowed superpriority administrative claim pursuant to section 364(c)(1) of the Bankruptcy Code (the "Financing Superpriority Claim") having priority in right of payment over any and all other obligations, liabilities and indebtedness of the Trustee on behalf of the Debtor and/or the Debtor, whether now in existence or incurred by the Trustee on behalf of the Debtor and/or the Debtor after the Petition Date, and over any and all

administrative expenses or priority claims of the kind specified in, or ordered pursuant to, *inter alia*, sections 105, 326, 328, 330, 331, 503(b), 507(a), 364(c)(1), 564(c), or 726 of the Bankruptcy Code, other than the Carve-Out (as defined below). Notwithstanding anything to the contrary herein, the Financing Superpriority Claim granted herein shall not be payable from (a) avoidance claims of the estate against any party other than the Debtor's current and former insiders and affiliates or (b) the proceeds thereof. UBS agrees, for the benefit of the Trustee and the Committee, that it will not look to recover from avoidance claims or proceeds without first making a reasonable good faith effort to collect from Prepetition Collateral (as defined below) to satisfy the Obligations. UBS agrees to observe any requirements of marshaling under applicable law.

12. Use of Cash Collateral. The Trustee may use Cash Collateral, on the terms and conditions set forth herein solely in accordance with the Budget until the date that is the earliest of (a) November 29, 2019, (b) the occurrence of an Event of Default (as defined in the Credit Agreement), and (c) the breach or failure of the Trustee or the Debtor to comply with the terms of this Final Order (the date of the occurrence of the earliest of (a), (b) and (c), the "Termination Date"). To the extent the Debtor holds an interest, all funds and cash investments of Debtor, including any funds on deposit at any banks or other institutions as of the Petition Date, are Cash Collateral of UBS AG, London Branch within the meaning of 11 U.S.C. § 363(a). In addition, all cash proceeds of the Prepetition Collateral (as defined below) (and investments thereof) received by the Debtor, the Trustee, or the estate of the Debtor after the Petition Date are Cash Collateral of UBS AG, London Branch within the meaning of 11 U.S.C. § 363(a). The Trustee shall not use any Cash Collateral except as permitted herein or as otherwise approved by this Court.

13. Compliance with the Budget. Except as otherwise set forth herein, the Trustee is hereby authorized to use all Cash Collateral until the Termination Date to pay the ordinary course operating expenses of Debtor's estate solely in accordance with the Budget (including all terms and conditions set forth therein), subject to the Permitted Variance.

14. Limitations on Use of Proceeds and Cash Collateral. The Trustee shall notify Huron Consulting Group ("Huron"), via email to both mkehl@huronconsultinggroup.com and

1 azughayer@huronconsultinggroup.com, of any payments that exceed \$7,500 not less than 36 hours
2 prior to initiating such payment (a "Proposed Payment"). If Huron does not object to the Proposed
3 Payment within 36 hours by email to the Trustee at michael.mcconnell@kellyhart.com, the Trustee
4 may proceed to make such payment. Should Huron object to the Proposed Payment, such payment
5 shall not be made without further order of the Court. The Trustee and UBS consent to judicial
6 intervention on an expedited basis to determine whether such Proposed Payment may proceed. Any
7 payments to be made under the Budget to Santa Barbara, departments or agencies of the County of
8 Santa Barbara, and the Santa Barbara County Air Pollution Control District (the "APCD") must be
9 approved by Huron. If approved, such payments shall be made timely in accordance with the
10 Budget. For the avoidance of doubt, no payments shall be made to GIT pursuant to this Final Order
11 for prepetition work or claims other than reimbursement with regard to the Debtor's employees.
12 None of the Cash Collateral or the proceeds of the Facility, subject only to the Investigation Budget
13 (as defined below), shall be used (i) to challenge UBS's claims and/or liens or (ii) to prevent or
14 hinder UBS from exercising its rights or remedies.

15
16
17 15. Absent further order of the Court or written consent of UBS for payments
18 specifically designated as a royalty payment or surface lease payment to an insider or affiliate,
19 neither Debtor nor the Trustee shall make the following payments directly or indirectly: (i) any
20 royalty payments or surface lease payments to insiders or affiliates of the Debtor or (ii) any payment
21 of professional fees for the Debtor or any committee, but the Trustee shall hold any such payments
22 provided for in the Budget in an interest-bearing escrow or segregated account. All such issues are
23 expressly reserved for future determination. The Budget includes certain items for accounting
24 purposes only; this Final Order does not permit payment of these items. Notwithstanding anything
25 to the contrary, the proceeds of the Facility and Cash Collateral shall only be used to pay those
26 items in the Budget that have been specifically approved by UBS or Huron and to escrow payments
27

1 as set forth above. For the avoidance of doubt, neither the Debtor nor the Trustee has any authority
2 to make, directly or indirectly, any (i) insider or affiliate royalty payments; (ii) insider or affiliate
3 surface lease payments; (iii) professional fee payments, except payments authorized for the
4 Trustee's professionals or Committee's professionals under this Final Order; or (iv) other payments
5 which are listed below the line in the Budget for accounting purposes but not authorized by this
6 Final Order, regardless of whether any such payments listed in (i)-(iv) are included in the Budget.
7

8 16. Carve-Out. There shall be a subordination of the Financing Liens and Financing
9 Superpriority Claim granted to UBS AG, Stamford Branch on the Collateral, and the Adequate
10 Protection Liens (as defined below) granted to UBS AG, London Branch on the Post-Petition
11 Collateral and GLR on the Prepetition Collateral, and Adequate Protection Superpriority Claim (as
12 defined below) granted to UBS AG, London Branch on the Post-Petition Collateral for the
13 aggregate amount of reasonable professional fees and expenses for the Trustee's professionals,
14 provided that such amount for the Trustee's professionals shall not exceed 25% of the amounts set
15 forth in the Budget and accrued prior to occurrence of an Event of Default (the "Carve-Out"). If,
16 for any reason, any portion of the sum of \$70,000 budgeted for the Committee's professionals (up
17 to \$50,000 of which is for the Committee's Investigation Budget (as defined below)) is not funded
18 to an escrowed account by the Trustee pursuant to paragraph 10 hereof, then such amount shall also
19 constitute a part of the Carve-Out. Notwithstanding the foregoing, following the occurrence of an
20 Event of Default, the Carve-Out shall include any withheld portion of the fees and expenses for the
21 Trustee's professionals accrued prior to such date and set forth in the Budget, and an additional
22 amount not exceed \$15,000 in the aggregate from and after a written notice of default. It is the
23 intention of this Final Order that the combination of the escrowed amounts under paragraph 10 plus
24 the Carve-Out equals 100% of the Budgeted fees and expenses for the Committee's professionals
25 and 125% of the Budgeted fees and expenses for the Trustee's professionals accrued prior to an
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1 Event of Default plus the \$15,000 provided in the prior sentence after a written notice of default, if
2 applicable. All such professionals having consented to the differential mechanics. Nothing in this
3 Final Order shall be construed to impair the ability of UBS to object to any fees, expenses,
4 reimbursements, or compensation sought by the Trustee. The Carve-Out shall not be used to
5 investigate or commence or continue any action or proceeding against UBS, subject only to the
6 Investigation Budget (as defined below).
7

8 17. Reporting Requirements. As a condition to use funds advanced under the Facility
9 and Cash Collateral, the Trustee shall provide to UBS and the Committee a variance report
10 reasonably acceptable to UBS on a weekly basis during the period for which use of such funds and
11 Cash Collateral is permitted under this Final Order and any subsequent order, which shall be
12 delivered by the Wednesday of the following week. Reporting of monthly sales revenue shall be
13 no later than 5 business days following the end of the month. In addition, the Trustee and its
14 representatives and agents shall provide to UBS and the Committee weekly reports, oral and/or
15 written, regarding the status of operations and financial matters as well as any additional
16 information reasonably requested by UBS.
17

18 18. Additional Covenants.

- 19 (i) No later than November 18, 2019, the Trustee shall file an application in form and
20 substance reasonably acceptable to UBS to retain persons acceptable to UBS on
21 terms acceptable to UBS to provide a reserve report regarding the Debtor's
22 hydrocarbon assets.
23 (ii) No later than November 18, 2019, the Trustee shall file an application in form and
24 substance reasonably acceptable to UBS to retain persons acceptable to UBS on
25 terms acceptable to UBS to conduct a Phase I environmental study regarding the
26 Debtor's hydrocarbon assets and operations.
27 (iii) On or before November 18, 2019, the Trustee shall provide one or more reports to
28 UBS as to the Trustee's efforts to stabilize and improve Debtor's operations and
revenues, including efforts to maximize sale revenues for the benefit of the estate.

1 (iv) No later than November 18, 2019, the Trustee shall provide UBS with a 13-week
2 cash flow budget in form and substance reasonably acceptable to UBS.

3 (v) The Debtor shall obtain and collect a minimum monthly sales revenue of \$750,000,
4 measured as of the last day of each month.

5 19. Adequate Protection. UBS AG, London Branch is entitled, pursuant to 11 U.S.C.
6 §§ 361 and 363(e), to adequate protection from any diminution in value of its interests in the
7 collateral securing the Prepetition Obligations, including the Cash Collateral (collectively, the
8 “Prepetition Collateral”), including, without limitation, any such diminution resulting from use by
9 Debtor or the Trustee of Cash Collateral and any other collateral, and the imposition of the
10 automatic stay pursuant to 11 U.S.C. § 362 (such diminution in value the “Adequate Protection
11 Obligations”). Based on the Court’s prior findings regarding the value of Prepetition Collateral in
12 connection with the Cash Collateral hearings, Santa Barbara is adequately protected for priming
13 and use of Cash Collateral under this Final Order.

14 20. Adequate Protection – Replacement and Additional Liens. As partial adequate
15 protection for the Adequate Protection Obligations, effective upon the commencement of this case
16 and without the necessity of the execution by Debtor, the Trustee or UBS AG, London Branch of
17 any mortgages, security agreements, pledge agreements, financing statements or otherwise, the
18 following additional and replacement security interests and liens are hereby granted to UBS AG,
19 London Branch (the “Senior Adequate Protection Liens”), subject only to (i) liens on the Collateral
20 in favor of UBS AG, Stamford Branch to secure the Obligations, (ii) valid and perfected non-
21 avoidable liens in existence on the Petition Date that are senior in priority to the liens securing the
22 prepetition claims of UBS AG, London Branch, and (iii) valid liens in existence on the Petition
23 Date that are perfected subsequent to the Petition Date as permitted by 11 U.S.C. § 546(b) that are
24 senior in priority to the liens securing the prepetition claims of UBS AG, London Branch (subject
25 to the limitation set forth in paragraph 38 below) ((i)–(iii) collectively, the “Permitted Liens”): (a)

1 to the full extent of any diminution in value of the Prepetition Collateral, a perfected first priority
2 senior security interest in and lien upon all cash of Debtor and any investment of the funds of
3 Debtor, whether existing on the Petition Date or thereafter acquired as of the date hereof and as of
4 the Petition Date; and (b) to the full extent of any diminution in value of the Prepetition Collateral,
5 a perfected first priority senior security interest in and lien upon all other pre- and post-petition
6 property of Debtor, whether existing on the Petition Date or thereafter acquired, including, without
7 limitation, all accounts, cash, Cash Collateral, deposit accounts, chattel paper, instruments,
8 documents, investment property, supporting obligations, customer lists, letter of credit rights,
9 inventory, fixtures, equipment, general intangibles, goods, patents, copyrights and trademarks as
10 well as all products and proceeds of any of the foregoing and books and records relating to any of
11 the foregoing and to Debtor's business and the proceeds of all of the foregoing (collectively, the
12 "Post-Petition Collateral"). For the avoidance of doubt, in accordance with paragraph 24 of this
13 Final Order, the Senior Adequate Protection Liens granted herein shall not attach to avoidance
14 claims of the estate or proceeds thereof. The Senior Adequate Protection Liens granted under this
15 Final Order shall be junior only to the Permitted Liens and the Carve-Out.

18 21. GLR, LLC ("GLR") shall be entitled to, as adequate protection for its interest in
19 Prepetition Collateral, effective upon the appointment of the Trustee and without the necessity of
20 the execution by Debtor, the Trustee or GLR of any mortgages, security agreements, pledge
21 agreements, financing statements or otherwise, the following additional and replacement security
22 interests and liens which are hereby granted to GLR (the "Junior Adequate Protection Liens" and
23 together with the Senior Adequate Protection Liens, the "Adequate Protection Liens"), subject only
24 to the Permitted Liens to the full extent of any diminution in value of the Prepetition Collateral, and
25 only to the extent of the validity, priority, and enforceability of GLR's prepetition lien in the
26 Prepetition Collateral, a perfected replacement security interest in and lien upon the Prepetition
27

1 Collateral and all proceeds thereof, whether existing on the Petition Date or thereafter acquired.
2 For the avoidance of doubt, in accordance with paragraph 24 of this Final Order, the Junior
3 Adequate Protection Liens granted herein shall not attach to avoidance claims of the estate or
4 proceeds thereof. The Junior Adequate Protection Liens shall be junior only to the Permitted Liens,
5 the Carve-Out, and the Senior Adequate Protection Liens.
6

7 22. Adequate Protection for the Use of Cash Collateral – Superpriority Claim. To the
8 extent the Post-Petition Collateral granted to UBS AG, London Branch herein does not provide
9 adequate protection of its interests in the Cash Collateral, the Adequate Protection Obligations shall
10 constitute a super-priority administrative expense claim under Section 507(b) of the Bankruptcy
11 Code (“Adequate Protection Superpriority Claim”). The Adequate Protection Superpriority Claim
12 shall have priority over all administrative expenses of any kind or any subsequently filed
13 bankruptcy case under any Chapter of the Bankruptcy Code in any court of competent jurisdiction,
14 including such administrative expenses of the kinds specified in, or allowable under, Sections 105,
15 326, 330, 331, 503(b), 506(c), 507(a), or 507(b) of the Bankruptcy Code, subject only to the
16 Financing Superpriority Claim and the Carve-Out. Additionally, no: (i) costs or expenses of
17 administration which have been or may be incurred (a) in the Chapter 11 Case; (b) after conversion
18 of the Chapter 11 Case to a case proceeding under Chapter 7 of the Bankruptcy Code, or (c) in any
19 other proceeding related hereto; and/or (ii) priority claims as defined in Section 507(a) of the
20 Bankruptcy Code are, or will be, senior to or *pari passu* with the Adequate Protection Superpriority
21 Claim other than the Financing Superpriority Claim and the Carve-Out. For the avoidance of doubt,
22 in accordance with paragraph 24 of this Final Order, the Adequate Protection Superpriority Claims
23 granted herein shall not attach to avoidance claims of the estate or proceeds thereof.
24

25
26 23. Perfection of Adequate Protection Liens. This Final Order shall be deemed to grant
27 and perfect, and be sufficient and conclusive evidence of the validity, perfection and priority of the
28

1 Adequate Protection Liens as of the Petition Date. UBS AG, London Branch may, but shall not be
2 required, to file or record financing statements, mortgages, notices of lien, or similar instruments
3 in any jurisdiction or take any other action in order to validate and perfect the Adequate Protection
4 Liens granted to them pursuant to this Final Order, and the stay imposed under section 362 of the
5 Bankruptcy Code is hereby modified solely to permit the same. If UBS AG, London Branch shall,
6 in its sole discretion, choose to file such financing statements, mortgages, notices of lien or similar
7 instruments or otherwise confirm perfection of and the Adequate Protection Liens, the Adequate
8 Protection Liens granted herein shall be deemed perfected at the time and on the date of entry of
9 this Final Order. Upon request by UBS AG, London Branch, the Trustee is authorized, without the
10 further consent of any party, to take any actions and to execute and deliver such instruments as may
11 be necessary to enable UBS AG, London Branch to further perfect, preserve and enforce the
12 Adequate Protection Liens granted to UBS AG, London Branch by this Final Order.
13

14
15 24. The Adequate Protection Liens granted by this Final Order and the Adequate
16 Protection Superpriority Claim granted by this Final Order shall not attach to avoidance claims of
17 the estate or proceeds thereof. For the avoidance of doubt, nothing in this Final Order shall prevent
18 UBS from asserting claims against or participating in such claims or proceeds under any other basis,
19 including with respect to the Financing Liens. Without limiting the foregoing, this provision shall
20 not be retroactive, such that nothing in the Final Order shall alter or change the status of, or impose
21 any limitation or agreement on, any lien or claim against such avoidance actions or proceeds thereof
22 with regard to use of Prepetition Collateral or Cash Collateral granted by any order entered in this
23 case prior to the date hereof. Nothing herein shall impair or modify UBS AG, London Branch's
24 rights to seek additional adequate protection pursuant to section 507(b) of the Bankruptcy Code in
25 the event that the adequate protection provided to UBS AG, London Branch hereunder is
26

1 insufficient to compensate for any diminution in value of its interests in the Cash Collateral or any
2 other Prepetition Collateral during this case or any successor case.

3 25. Termination of Cash Collateral Use. On the Termination Date, the Trustee's right
4 to use the Cash Collateral on the terms and conditions set forth in this Final Order shall terminate
5 automatically. By written agreement, UBS AG, London Branch may agree to waive such
6 termination in full or permit only limited use of Cash Collateral in any manner following such
7 event.
8

9 26. Budget Amendments. UBS may, but is not required to, by written agreement,
10 amend the Budget, including to, among other things, extend the date through which Cash Collateral
11 may be used and to increase the amount of Cash Collateral that may be used thereunder; *provided,*
12 *however,* that any amendment to the Budget made pursuant to the authority set forth in this Final
13 Order shall be subject to the following conditions and limitations:
14

15 (a) any such amendment shall not alter the nature and types of payments that were
16 authorized under this Final Order; and

17 (b) any such amendment shall require the consent of the Trustee.

18 The foregoing conditions and limitations are intended to apply only to consensual changes to the
19 Budget that are made pursuant to the authority of this Final Order.

20 27. Upon entry of a written amendment in compliance with the foregoing, the new
21 agreed budget shall constitute the Budget for all purposes under this Final Order and the Credit
22 Agreement.
23

24 28. Promptly following the amendment of the Budget in accordance with the foregoing,
25 the Trustee shall promptly file notice with this Court, and provide notice of such entry to all parties
26 entitled to notice.
27

31. The automatic stay of section 362(a) of the Bankruptcy Code shall be and hereby is modified and vacated without further order, notice or application to the Court to the extent necessary to allow UBS to perform any act authorized by this Final Order. If an Event of Default occurs, UBS AG, Stamford Branch shall have the right to seek an order on five days' notice to the Trustee, the Committee, the United States Trustee, and Santa Barbara lifting the automatic stay to permit UBS AG, Stamford Branch to foreclose on the Collateral or alternatively, compelling the Trustee to sell the Collateral pursuant to section 363(b) of the Bankruptcy Code. Such motion may be accompanied by an affidavit on behalf of UBS AG, Stamford Branch stating that an Event of Default has occurred and setting forth the facts of such Event of Default. Any party opposing the

1 relief requested by UBS AG, Stamford Branch shall have the burden of proof why the automatic
2 stay should not be lifted with respect to the Collateral.

3 32. Further Assurances. No further actions shall be required to reflect the Financing
4 Liens or Adequate Protection Liens granted to UBS or the Obligations or Adequate Protection
5 Obligations incurred by the Trustee or the Debtor. Notwithstanding the foregoing, the Trustee and
6 UBS are granted authority to take any such actions and execute any such documents as they may
7 deem appropriate to reflect the Financing Liens and the Adequate Protection Liens granted to UBS
8 or the Obligations incurred by the Trustee or the Debtor, including without limitation execution
9 and delivery of one or more notes, deeds of trust, financing agreements and all other actions as
10 UBS may reasonably request.

11
12 33. Section 506(c) Waiver. All rights of the Debtor, the Trustee, and the estate to
13 surcharge the collateral of UBS are hereby waived for rights accruing during the period that the
14 Trustee receives advances or is authorized to use Cash Collateral pursuant to this Final Order or
15 the Credit Agreement, provided that, as consideration for such waiver, the Trustee shall be
16 authorized to obtain advances and use Cash Collateral for expenses in the Budget prior to any Event
17 of Default or Termination Date, and further provided that the waiver shall apply whether or not the
18 Trustee actually uses such advance or Cash Collateral for a specific expense set forth in the Budget
19 or uses them for another purpose so long as such funds are actually disbursed by the Trustee.

20
21 34. Right to Credit Bid. UBS shall have the right to credit bid up to the full amount of
22 its outstanding Obligations and Prepetition Obligations in connection with any sale of the Debtor's
23 assets, the Prepetition Collateral, the Post-Petition Collateral or the Collateral under section 363 of
24 the Bankruptcy Code. If UBS transfers all or any portion of its claims, the right of the transferee
25 to credit bid shall remain subject to a challenge "for cause" under section 363(k) of the Bankruptcy
26 Code solely based upon the transfer, the actions of the transferee, or events arising after such
27

1 transfer. All defenses to any such challenge to the credit bid rights of a transferee are preserved.
2 Nothing herein shall constitute consent by UBS to any sale of such assets, Prepetition Collateral,
3 the Post-Petition Collateral or the Collateral.

4 35. Successors and Assigns. The provisions of this Final Order shall be binding upon
5 UBS, the Debtor, the Trustee and their respective successors and assigns (including any other
6 trustee hereinafter appointed or elected for the Debtor's estate) and inure to the benefit of UBS, the
7 Trustee and the Debtor and their respective successors and assigns.

9 36. Compliance with Laws. Nothing in this Final Order or the Budget shall permit the
10 Debtor or the Trustee to violate 28 U.S.C. § 959(b), and nothing in this Final Order or the Budget
11 shall in any way diminish the obligation of any entity, including the Debtor and the Trustee, to
12 comply with environmental laws.

13 37. Priority. Except as set forth herein with respect to the Financing Liens, nothing in
14 this Final Order shall determine or effect the relative priority of any senior prepetition lien or post-
15 petition lien, and all rights are expressly reserved in that regard. All rights are expressly reserved
16 with respect to whether any asset is cash collateral for any entity other than UBS and thus any
17 entitlement of such other entities to adequate protection, including without limitation any
18 superpriority claim.

20 38. To the extent Santa Barbara has valid, senior, perfected, and non-avoidable liens for
21 ad valorem taxes, penalties, interest, and attorneys' fees under applicable law, the Financing Liens
22 and Adequate Protection Liens granted to secure Obligations incurred under the Facility after the
23 Final Hearing on November 21, 2019 in accordance with this Final Order shall be junior in priority
24 and subject to such valid, senior, perfected, and non-avoidable ad valorem tax liens in favor of
25 Santa Barbara only to the extent of such lien on the Collateral. For the avoidance of doubt, the
26 Financing Liens, Financing Superpriority Claim, Adequate Protection Liens, and the Adequate
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1 Protection Superpriority Claim granted to UBS AG, Stamford Branch under the Second Interim
2 Order to secure all Obligations advanced by UBS AG, Stamford Branch pursuant to the Interim
3 Order and Second Interim Order prior to November 21, 2019 are valid, perfected and enforceable
4 first priority priming and senior liens on all the Collateral that are superior to all other prepetition
5 or post-petition liens, claims or security interests in favor of any other lienholder (including any
6 valid, perfected, enforceable and non-avoidable ad valorem tax liens), other than the Carve-Out.
7
8 Nothing in this Final Order shall determine the priority, amount, and extent of the Santa Barbara
9 ad valorem tax liens or claims. All rights with regard to priority, amount, and extent of the Santa
10 Barbara tax liens or claims are fully preserved.

11 39. Effect of Final Order. If any or all of the provisions of this Final Order are hereafter
12 reversed, modified, vacated or stayed, such reversal, modification, vacatur or stay, shall not affect
13 (i) the validity of any Adequate Protection Obligations incurred before the actual receipt of written
14 notice by UBS AG, London Branch of the effective date of such reversal, modification, vacatur or
15 stay or (ii) the validity or enforceability of any lien or priority authorized or created hereby.
16 Notwithstanding any such reversal, modification, vacatur or stay, any use of the Facility proceeds
17 or Cash Collateral or Obligations or Adequate Protection Obligations incurred by Debtor or the
18 Trustee to UBS before the actual receipt of written notice by UBS of the effective date of such
19 reversal, modification, vacatur or stay, shall be governed in all respects by the original provisions
20 of this Final Order, and UBS shall be entitled to all the rights, remedies, privileges and benefits
21 granted in section 363(m) of the Bankruptcy Code and this Final Order with respect to all uses of
22 the Facility proceeds or Cash Collateral and the Obligations or Adequate Protection Obligations.

25 40. Except as expressly provided in this Final Order, the Financing Liens, the
26 Superpriority Claims, the Adequate Protection Liens, the Adequate Protection Superpriority Claims
27 and all other rights and remedies of UBS granted by the provisions of this Final Order shall survive,
28

1 and shall not be modified, impaired or discharged by (i) the entry of an order converting the case
2 to a case under chapter 7, dismissing of the case, or by any other act or omission or (ii) the entry of
3 an order confirming a plan in the case. The terms and provisions of this Final Order shall continue
4 in this case, or in any superseding chapter 7 case under the Bankruptcy Code, and the Financing
5 Liens, the Superpriority Claims, the Adequate Protection Liens, the Adequate Protection
6 Superpriority Claims, and all other rights and remedies of UBS granted by the provisions of this
7 Final Order shall continue in full force and effect until the Obligations and the Adequate Protection
8 Obligations are indefeasibly paid in full.

10 41. Findings of Fact and Conclusions of Law. This Final Order shall constitute findings
11 of fact and conclusions of law of the Court and shall take effect immediately upon execution hereof.

12 42. Filing. This Final Order may be filed in any state or local jurisdiction in order to
13 evidence and perfect UBS's liens and security interests, as granted and confirmed herein. At the
14 request of UBS's counsel, the clerk of court shall issue a certified copy of this Final Order and shall
15 execute such other certificates or affidavits of authenticity as may be reasonably necessary to put
16 this Final Order in a form that may be accepted by the applicable filing office.

18 43. Business Judgment and Good Faith Pursuant to Section 364(e) of the Bankruptcy
19 Code. The terms of the Facility, Credit Agreement, and this Final Order were negotiated in good
20 faith and at arms' length among the Trustee and UBS. Financing provided under the Facility and
21 the Credit Agreement shall be deemed to have been extended in good faith and for valid business
22 purposes and uses, within the meaning of section 364(e) of the Bankruptcy Code.

24 44. Stipulations. Effective upon the expiration of the Challenge Period (as defined
25 below), the Trustee will be deemed to have admitted, acknowledged, agreed and stipulated that: (i)
26 the amount due to UBS under the Prepetition Credit Agreements, as of June 30, 2019, is
27 approximately \$127 million, plus such allowable interest, fees and charges as may accrue

1 thereafter; (ii) the Prepetition Obligations constitute legal, valid, enforceable and binding
2 obligations of the Debtor; (iii) no offsets, defenses or counterclaims to the Prepetition Obligations
3 exist; (iv) no portion of the Prepetition Obligations is subject to avoidance, disallowance, reduction
4 or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law; (v) the
5 Prepetition Credit Agreements are valid and enforceable by UBS AG, London Branch against the
6 Debtor; (vi) the liens and security interests in the Prepetition Collateral securing the Prepetition
7 Obligations (the “Prepetition Liens”) were perfected as of the Petition Date and constitute legal,
8 valid, binding, enforceable and perfected liens in and to the Prepetition Collateral and are not
9 subject to avoidance, reduction, disallowance, disgorgement, counterclaim, surcharge or
10 subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law, and such liens
11 had priority over any and all other liens on the Prepetition Collateral, subject only to certain liens
12 expressly permitted by the Prepetition Credit Agreements (to the extent any such permitted liens
13 were legal, valid, properly perfected, non-avoidable and senior in priority to the Prepetition Liens
14 as of the Petition Date or thereafter pursuant to section 546(b) of the Bankruptcy Code); (vii) the
15 Prepetition Obligations constitute allowed secured claims against the Debtor’s estate to the extent
16 of the Collateral; and (viii) the Debtor and its estate have no claim, objection, challenge or cause
17 of action against UBS or any of its affiliates, parents, subsidiaries, partners, controlling persons,
18 agents, attorneys, advisors, professionals, officers, directors and employees, whether arising under
19 applicable state or federal law (including, without limitation, any recharacterization, subordination,
20 avoidance or other claims arising under or pursuant to sections 105, 510 or 542 through 553 of the
21 Bankruptcy Code), in connection with any of the Prepetition Credit Agreements (or the transactions
22 contemplated thereunder), the Prepetition Obligations or the Prepetition Liens, including without
23 limitation, any right to assert any disgorgement or recovery.
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1 45. Effect of Stipulations on Third Parties. The stipulations, admissions, agreements
2 and releases contained in this Final Order shall be binding upon all other parties in interest,
3 including, without limitation, any statutory or non-statutory committees appointed or formed in this
4 case, and any other person or entity acting or seeking to act on behalf of the Debtor's estate,
5 including the Trustee in all circumstances and for all purposes unless: (a) any party in interest
6 (subject in all respects to any agreement or applicable law that may limit or affect such entity's
7 right or ability to do so), in each case, with requisite standing granted by the Court or, in the case
8 of the Committee, upon the filing of a motion seeking such standing, has timely and properly filed
9 an adversary proceeding, contested matter, or as to the Committee, motion seeking standing
10 (subject to the limitations contained herein) by no later than a date that is the later of (i) January
11 13, 2020; (ii) any later date agreed to by UBS AG, London Branch in writing in its sole discretion;
12 and (iii) any such later date ordered by the Court for good cause shown after notice and an
13 opportunity to be heard, *provided that* the motion seeking such relief is filed before the expiration
14 of any applicable period as set forth in clauses (i)–(iii) of this sentence (the “Challenge Period”),
15 (A) objecting to or challenging the validity, perfection, enforceability, priority or extent of the
16 Prepetition Obligations, or (B) otherwise asserting or prosecuting any action for preferences,
17 fraudulent transfers or conveyances, other avoidance power claims through or on behalf of the
18 Debtor's estate against UBS AG, London Branch (collectively, the “Challenge Proceeding”); and
19 (b) there is a final non-appealable order in favor of the plaintiff sustaining any such Challenge
20 Proceeding; *provided, however,* that any pleadings filed in connection with any Challenge
21 Proceeding shall set forth with specificity the basis for such challenge or claim and any challenges
22 or claims not so specified prior to the expiration of the Challenge Period shall be deemed forever,
23 waived, released and barred. If any such Challenge Proceeding is timely filed during the Challenge
24 Period, such filing shall immediately result in the occurrence of the Termination Date.

48. The Trustee may use the funds advanced under the Facility to investigate (i) the claims and liens of UBS AG, London Branch and (ii) potential claims, counterclaims, causes of action or defenses against UBS AG, London Branch; *provided that* no more than an aggregate of \$5,000 of the funds advanced under the Facility may be used by the Trustee in respect of any such investigation (the “Trustee’s Investigation Budget”) and \$50,000 of the funds advanced under the

1 Facility may be used by the Committee in respect of any such investigation (the "Committee's
2 Investigation Budget" and together with the Trustee's Investigation Budget, the "Investigation
3 Budget"). The Committee's Investigation Budget represents the total amount of funds advanced
4 under the Facility that may be used by the Committee in respect of any such investigation during
5 this bankruptcy case.

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7 49. No Stay. There is no stay of this Final Order, including no stay pursuant to Federal
8 Rule of Bankruptcy Procedure 6004(h) (to the extent applicable).

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23
24 Date: November 27, 2019



25 Martin R Barash
26 United States Bankruptcy Judge
27
28

###

Agreed as to form only:

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HAGEN, AS TREASURER-TAX COLLECTOR OF THE COUNTY OF SANTA
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CONTROL DISTRICT**

**Agreed as to form only, and shall not indicate that this Final Order satisfies condition under
the Credit Agreement nor that the condition is waived:**

O'MELVENY & MYERS LLP

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ATTORNEYS FOR UBS AG, LONDON BRANCH AND UBS AG, STAMFORD BRANCH

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###

Agreed as to form only:

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**ATTORNEYS FOR THE COUNTY OF SANTA BARBARA, CALIFORNIA; HARRY E.
HAGEN, AS TREASURER-TAX COLLECTOR OF THE COUNTY OF SANTA
BARBARA, CALIFORNIA; AND THE SANTA BARBARA COUNTY AIR POLLUTION
CONTROL DISTRICT**

**Agreed as to form only, and shall not indicate that this Final Order satisfies condition under
the Credit Agreement nor that the condition is waived:**

O'MELVENY & MYERS LLP

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ATTORNEYS FOR UBS AG, LONDON BRANCH AND UBS AG, STAMFORD BRANCH

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EXHIBIT 1

EXHIBIT "1"

Notes	HVI CAT CANYON INC.	Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL
	weeks 14-18 budget	Week 14	Week 15	Week 16	Week 17	Week 18	
	week starting	28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19	25-Nov-19	
1	Beginning Cash Balance	36,784	-	-	-	-	36,784
2	<u>Cash Inflows</u>						
3	SMV	-	12,000	-	1,460,858	-	1,472,858
	Redu	-	-	-	49,917	-	49,917
	Belridge	-	-	-	58,155	-	58,155
	Total Cash Inflows	-	12,000	-	1,568,931	-	1,580,931
4	Royalties	-	(118,392)	-	(141,171)	-	(259,562)
5	Escrow Royalties	-	(27,690)	-	(27,148)	-	(54,838)
	Total Net Cash Inflows	-	(134,081)	-	1,400,611	-	1,266,530
	<u>Cash Outflows</u>						
6	Operating Expenses						
7	Payroll Checks	-	76,000	-	76,000	-	152,000
8	Payroll Taxes	28,763	-	29,000	-	29,000	86,763
	Garnishment & Child Support	-	2,011	-	1,006	-	3,017
9	Surface Rents	-	75,634	-	-	-	75,634
10	Consultants	-	9,008	-	9,008	-	18,015
11	Phones	-	2,500	-	2,000	-	4,500
12	Power PG&E	-	30,000	-	170,000	-	200,000
13	Power SoCalEdison	-	20,000	-	-	-	20,000
	Waste Management	-	2,100	-	-	2,100	4,200
	Water	-	1,000	2,000	-	-	3,000
	SouthernCalGas	-	75	75	-	75	225
	Portable Restrooms	-	1,100	-	1,500	-	2,600
	Alarms	-	-	500	-	-	500
	Cafeteria	-	-	-	250	-	250
	Copies	-	-	-	250	-	250
14	Chemicals	-	10,000	5,000	5,000	5,000	25,000
15	Pumps	-	25,000	10,000	10,000	10,000	55,000
16	Gasoline	-	25,000	12,500	12,500	12,500	62,500
17	Transportation	-	-	-	150,000	-	150,000
18	Vacuum Trucks	-	-	-	56,000	-	56,000
19	LCR	-	-	-	575,000	-	575,000
20	Electricians	-	10,000	5,000	10,000	5,000	30,000
21	Welders	-	5,000	2,500	2,500	2,500	12,500
22	Supplies (Belts-Parts)	-	2,000	1,500	1,500	1,500	6,500

Notes	HVI CAT CANYON INC.	Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL
	weeks 14-18 budget	Week 14	Week 15	Week 16	Week 17	Week 18	
	week starting	28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19	25-Nov-19	
23	Parts (Compressor, Pipe, others)	-	5,000	5,000	5,000	5,000	20,000
24	Clean Chemical towers	-	3,000	1,500	1,500	1,500	7,500
25	Vehicle maintenance	-	16,000	-	8,000	-	24,000
	Drink Water	-	150	-	150	-	300
26	Weed abatement	-	15,000	10,000	10,000	10,000	45,000
27	Well Analysis	-	3,000	-	3,000	-	6,000
28	Compliance	-	25,000	-	25,000	-	50,000
	Fire Department	-	-	-	-	-	-
29	APCD	-	2,000	2,000	2,000	2,000	8,000
30	SBP - APCD	-	-	-	146,436	-	146,436
31	SBP - P&D	-	-	-	159,843	-	159,843
32	SBP - FD	-	-	-	16,440	-	16,440
33	SBP - EHS	-	-	-	10,475	-	10,475
	SBP - Tax	-	-	-	-	-	-
34	Escrow - Surface Rents	-	7,500	-	-	-	7,500
35	Netherland and Sewell Reserve Report	-	-	-	-	25,000	25,000
	Total Operating Expenses	28,763	373,078	86,575	1,470,357	111,175	2,069,948
	G&A Expenses						
	Bank Charges & fees	100	100	100	100	100	500
36	Insurances	-	9,000	9,000	19,000	-	37,000
37	Chapter 11 Trustee Professionals	228,834	108,894	108,894	108,894	108,894	664,410
38	Unsecured Creditor Committee Professionals	-	-	-	50,000	-	50,000
39	U.S. Trustee Payment	-	25,000	-	-	-	25,000
40	Backoffice & Administrative	-	-	-	156,000	-	156,000
	Interest	-	-	-	-	-	-
	Total G&A	228,934	142,994	117,994	333,994	108,994	932,910
41	Health and Safety						
42	SMV Health and Safety	-	28,000	88,000	56,000	16,000	188,000
43	Belridge Health and Safety	-	4,500	5,000	20,000	3,000	32,500
44	Redu Health and Safety	-	31,047	3,000	16,000	40,000	90,047
	Total Health and Safety	-	63,547	96,000	92,000	59,000	310,547
45	Total Cash Outflows	257,697	579,618	300,569	1,896,351	279,169	3,313,405
	Net Cash Flow	(257,697)	(713,699)	(300,569)	(495,740)	(279,169)	(2,046,875)
	Beginning Cash Balance	36,784	-	-	-	-	36,784

Notes	HVI CAT CANYON INC.	Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL
	weeks 14-18 budget	Week 14	Week 15	Week 16	Week 17	Week 18	
	week starting	28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19	25-Nov-19	
	Net Cash Flow	(257,697)	(713,699)	(300,569)	(495,740)	(279,169)	(2,046,875)
	Net Borrowing/(Pay Down)	220,913	713,699	300,569	495,740	279,169	2,010,091
	Ending Cash Balance	-	-	-	-	-	-
46	Loan Balance	220,913	934,613	1,235,182	1,730,922	2,010,091	2,010,091
1	Book Bank Balance Reconciliation						
	Starting Balance 10/24/19	18,022					
	Transfer for net amount for Sept Revenue	23,810					
	Transfer #1 against October Revenue	60,000					
	Transfer #2 against October Revenue	20,000					
	Balance as of 10/25/19	121,832					
	Total Check Disbursements on 10/25/19	85,048					
	Net Available book balance 10/28/19	36,784					
2	Forecast dependent on actual volume of delivered barrels, price and gravity adjustments. The price per barrel is calculated for Santa Maria Valley using the average price per barrel posted by Chevron, Union 76, Exxon and Shell for Midway Sunset crude less \$7. The price per barrel for Redu is calculated using the average price per barrel posted by the same 4 corporations for Buena Vista crude less \$5.75. The price per barrel for Belridge is calculated using the average price per barrel posted by the same 4 corporations for Buena Vista crude less \$0.75. All pricing is subject to adjustments based upon the gravity of the oil produced. The prior month's revenue is collected on the 20th of the following month. See the October 2019 Revenue Projection schedule for a detailed build up of the forecasted revenue.						
3	Affiliate California Asphalt Production, Inc. advanced \$80k of the forecasted revenue for October to HVI in week 13 and an additional \$12k in week 15 to cover a surface lease payment to Boisseranc.						
4	In aggregate, monthly royalties are approximately 13% of production which is approximately 1 month's revenue less the LCR shipments.						
5	Escrow Royalties are based upon an insider's 2.5% overriding royalty on 1 month's production which is approximately 1 month's revenue less the LCR shipments.						
6	Due to cash flow constraints in Week 14, the majority of forecasted disbursements for the week were rolled into the forecasted disbursements for week 15.						
7	Bi-weekly payroll for HVI's 41 employees, including insider Alex Dimitrijevic's compensation that, as the President and COO of HVI, is subject to a 15 day objection period prior to disbursement.						

HVI CAT CANYON INC.		Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL																				
weeks 14-18 budget		Week 14	Week 15	Week 16	Week 17	Week 18																					
Notes	week starting	28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19	25-Nov-19																					
8	Schedule of payroll taxes due to State and Federal Taxing Authorities due on week 13:																										
	<table><tr><td>Federal Income Tax Withholding</td><td>8,999.87</td></tr><tr><td>Social Security Tax Withholding</td><td>12,264.18</td></tr><tr><td>Medicare Tax Withholding</td><td>2,872.94</td></tr><tr><td>Total Form 941 Liability</td><td>24,156.99</td></tr><tr><td>Federal Unemployment Insurance Liability</td><td>35.30</td></tr><tr><td>State Income Tax Withholding</td><td>3,215.65</td></tr><tr><td>CA SDI Tax Withholding</td><td>990.69</td></tr><tr><td>State Unemployment Insurance</td><td>364.81</td></tr><tr><td>Total Form DE-9 Liability</td><td>4,571.15</td></tr><tr><td>Total Liability for 10-25-2019 Payroll</td><td>28,763.44</td></tr></table>							Federal Income Tax Withholding	8,999.87	Social Security Tax Withholding	12,264.18	Medicare Tax Withholding	2,872.94	Total Form 941 Liability	24,156.99	Federal Unemployment Insurance Liability	35.30	State Income Tax Withholding	3,215.65	CA SDI Tax Withholding	990.69	State Unemployment Insurance	364.81	Total Form DE-9 Liability	4,571.15	Total Liability for 10-25-2019 Payroll	28,763.44
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Total Form DE-9 Liability	4,571.15																										
Total Liability for 10-25-2019 Payroll	28,763.44																										
9	Surface Rent Sub schedule																										
	Surface Lease Owner:	Amount	Timing																								
	Boisseranc	\$ 11,956	Due on the 1st of each month																								
	Buganko	\$ 41,878	Due on the 1st of the month. This amount includes \$27k for unpaid surface lease payments from prior post-petition budgets.																								
	Medema (1/2) Thomson (1/4) (- McLaughlin (1/4)	\$ 7,500	Due on the 1st of each month																								
	(3) Etchandy family members	\$ -	Lease to be rejected, no amount due																								
	State College, LLC (Evelyn Roper)	\$ -	\$1,5851.33 due on an annual basis - has been paid for 2019.																								
	Adam Family Trust	\$ -	No amount due																								
	Orcutt Fee, LLC	\$ -	\$5,000 due on Annual - paid for 2019																								
	Marianne Friedl	\$ -	\$3,700 due on Annual - paid for 2019																								
	C.M.T LLC	\$ -	\$100 will be due in January 2020.																								
	Manfred Sander	\$ 6,800	Due before the end of October 2019																								
	E & B Natural Resources	\$ -	Under review, no amount currently due																								
	Grundoon, LLC (Firestone)	\$ 7,500	Due on the 1st of each month																								
	Morganti Ranch	\$ -	\$5,500 on a monthly basis but lease is currently shut-in so no amount due.																								
	Morganti Ranch	\$ -	Under review, no amount currently due																								
	Morganti Ranch	\$ -	Under review, no amount currently due																								
	Railroad	\$ -	\$454 due in December 2019																								
	(4) Righetti family members	\$ -	\$3,000 per quarter, next payment due in December 2020																								
	(3) Judy A. Rogers, Ronald H. Souza, Jr., Michael J. Souza	\$ -	\$750 due in January 2020																								
	Roland and Sandy Miller	\$ -	\$300 due in December 2019																								
	Multiple Bradley Lands	\$ -	No amount due in October or November 2019																								
	Total amount due in week 14	\$ 75,634																									
10	HVI pays the following 3 consultants on a biweekly basis:																										
	Name and Description:	Amount:																									

Notes	HVI CAT CANYON INC.	Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL
	weeks 14-18 budget	Week 14	Week 15	Week 16	Week 17	Week 18	
	week starting	28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19	25-Nov-19	
	i) William LaFleur - Landman	\$	3,000				
	ii) Innovative Consulting Solutions - production accountant	\$	1,923				
	iii) Alliance-Hydro - Geologist	\$	4,085				
	Total Amount due to Consultants	\$	9,008				
11	Amounts include HVI's office line at their East Clarke office and cell phones for all field employees.						
12	Per adequate assurance order, \$30k deposit due in Week 15 and \$170k due in Week 17 (prior to the 20th).						
13	Amount due for prior month's power usage.						
14	Chemicals used for H2S removal that are critical to production - currently on COD terms with chemicals vendor						
15	Pump maintenance and rework costs that are critical to production.						
16	HVI makes daily gasoline purchases for the tankers used to haul oil and gas production with a weekly run rate of approximately \$12,500. Week 15 assumes weekly run rate and payment of approximately \$12.5k of overdue invoices.						
17	Amount due to affiliate GTL1 for transportation costs for hauling crude and LCR, vehicle leasing and insurance costs and demurrage charges. GTL1 pays drivers \$17.50/hr. for demurrage but charges HVI \$80/hr.						
18	Amount due to affiliate GTL1 for vacuum trucks, HVI pays \$80/hr., has a monthly run rate between 600-700 hours, and week 17 assumes a 700 hour month.						
19	Per Ernesto Olivares, as of 10/27/19, HVI has received 7,476 BBLs of Light Crude ("LCR") deliveries priced at \$76.50 per BBL. Approximately 100 additional BBLs are estimated to be delivered before month's end.						
20	The weekly run rate for electricians is approximately \$5k and week 15 assumes payment of approximately \$5k of overdue invoices.						
21	The weekly run rate for welders is approximately \$2.5k and week 15 assumes payment of approximately \$2.5k of overdue invoices.						
22	Assumes a weekly run rate of \$1.5k with an additional approximately \$1k of overdue invoices to be paid in week 15.						
23	Assumes a weekly run rate of \$5k.						
24	Assumes a weekly run rate of \$1.5k for H2S fluid and week 15 assumes payment of \$1.5k of invoices due in week 14.						
25	Assumes \$8k bi-weekly run rate for the maintenance costs for all oil field service vehicles, including rigs. Week 15 assumes payment of an overdue invoice for approximately \$8k for rig maintenance.						
26	Weekly run rate for critical safety and fire protection for HVI's 700+ wells and reduction of Notice of Violation ("NOV") fines. Currently understaffed in this area and run rate assumes increasing team size from 1 to approximately 2 five man teams.						
27	Per Alex D, up to date on well inspections through week 14 so run rate assumes bi-weekly maintenance needed in November 2019.						
28	Weekly run rate for 3rd party consultants for critical compliance requirements such as SPC ("Spill Prevention and Countermeasure") plans and APCD ("Air Pollution and Control District") plans that need to be submitted before year-end to mitigate future fines and penalties from regulatory bodies.						
29	Related to administrative invoicing for APCD post-petition inspections related to 35 permits necessary to mitigate potential fines and penalties.						
30	Passed due post-petition Permit to Operate ("PTO") fees from the APCD for the following 13 HVI leases, excluding 1 lease quitclaimed to an insider. Subject to revision if additional permit fees for quitclaimed leases to insiders are identified:						
	<u>Facility</u>	<u>Fee</u>					
	Armelin Lease PTO No. 07775 - R8	\$	7,895				

HVI CAT CANYON INC.		Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL
weeks 14-18 budget		Week 14	Week 15	Week 16	Week 17	Week 18	
Notes	week starting	28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19	25-Nov-19	
	Battles Lease PTO No. 08219 - R11	\$	7,323				
	Bradley Lands/Bradely Consolidated Lease PTO No. 071	\$	41,123				
	Continental Lease PTO No. 08222 - R11	\$	5,425				
	Cross Development Lease PTO No. 08863 - R9	\$	458				
	East Valley Farms Lease PTO No. 08864 - R9	\$	458				
	Fullerton Lease PTO No. 08868 - R13	\$	7,551				
	Jim Hopkins Lease PTO No. 09310 - R8	\$	13,796				
	Lakeview Gas Plant PTO No. 10108 - R8	\$	38,032				
	Lakeview Lease PTO No. 10096 - R8	\$	7,385				
	Los Flores PTO No. 07307 - R12	\$	16,074				
	McKenzie Lease PTO No. 10079 - R8	\$	458				
	Olean Lease PTO No. 10080 - R8	\$	458				
	Total due for APCD PTOs	\$	146,436				
	<u>Excluded PTO fee due to a quitclaimed lease to an insider.</u>						
	Golco Lease PTO No. 10078 - R8	\$	4,679				
31	Amount is based upon the following County of Santa Barbara Planning and Development post-petition facility and lease inspection fees. Subject to revision if additional permit fees for quitclaimed leases to insiders are identified:						
	<u>Account Number/Permit ID Number:</u>	<u>Amount:</u>					
	Permit ID # 19ACB-00000-00914 for 500 post-petition						
	un-inspected facilities	\$	110,452				
	19ACT-00880	\$	210				
	19ACT-00922	\$	6,560				
	19ACT-00920	\$	10				
	19ACT-00914	\$	350				
	19ACT-00921	\$	6,280				
	19ACT-00926	\$	12,640				
	19ACT-00928	\$	9,032				
	19ACT-00938	\$	108				
	19ACT-00930	\$	10				
	19ACT-00932	\$	10				
	19ACT-00934	\$	108				
	19ACT-00936	\$	108				
	19ACT-00887	\$	262				
	19ACT-00878	\$	420				
	19ACT-00877	\$	210				
	19ACT-00879	\$	210				
	19ACT-00881	\$	220				

Notes	HVI CAT CANYON INC. weeks 14-18 budget week starting	Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL
		Week 14	Week 15	Week 16	Week 17	Week 18	
		28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19	25-Nov-19	
	19ACT-00924	\$ 12,640					
	Total due to P&D for inspection fees	\$ 159,843					
32	Amount is based upon the following Santa Barbara County Fire Department Post-Petition California Fire Code Inspection Permit Fees. Subject to revision if permits for additional quitclaimed leases to insiders are identified:						
	<u>Site Name</u>	<u>Amount:</u>					
	Battles	\$ 1,370					
	Blochman	\$ 1,370					
	Bell Gas Compressor	\$ 1,370					
	Bell Lease	\$ 1,370					
	Casmalia/Morganti	\$ 1,370					
	Chamberlin B	\$ 1,370					
	Chamberlin	\$ 1,370					
	Davis B	\$ 1,370					
	Davis	\$ 1,370					
	Fullerton Lease	\$ 1,370					
	Jim Hopkins	\$ 1,370					
	Los Flores	\$ 1,370					
	Total due for Fire Department CFC Permits	\$ 16,440					
33	Per Docket #308, Declaration of James Ray, California Unified Program Agency Supervisor for the Santa Barbara County Environmental Health Services ("EHS"), amounts due for the following Santa Barbara Post-petition Environmental Health Services Permit Fees - <i>originally forecast to be distributed in week 2</i> :						
	<u>Permit ID:</u>	<u>Permit Fee for 2020:</u>					
	FA0010063	\$ 1,857					
	FA0010325	\$ 555					
	FA0010326	\$ 555					
	FA0011176	\$ 555					
	FA0011177	\$ 555					
	FA0012015	\$ 555					
	FA0012328	\$ 555					
	FA0012329	\$ 555					
	FA0012330	\$ 555					
	FA0012495	\$ 555					
	FA0013065	\$ 555					
	FA0013112	\$ 555					
	FA0013113	\$ 555					
	FA0013114	\$ 555					
	FA0013136	\$ 555					

Notes	HVI CAT CANYON INC.	Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL
	weeks 14-18 budget	Week 14	Week 15	Week 16	Week 17	Week 18	
	week starting	28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19	25-Nov-19	
	FA0015899	\$ 848					
	Total amount due for EHS permits	\$ 10,475					
34	Rent due on HVI East Clarke office - not approved under Interim Cash Collateral Order						
35	Chapter 11 Trustee negotiated a progress payment plan with Netherland & Sewell for a 2019 Reserve Report. The \$100-\$120k total fee can be paid on weekly basis for \$25k a week once they start work.						
36	Per Ernesto Olivares, a total of \$18k for worker's comp insurance to be paid in weeks 15 and 16 and \$19k to renew \$1MM bond due in week 17.						
37	Chapter 11 Trustee professionals agree to a 20% deferral of professional fees incurred during this 5-week period, assuming the bank agrees to carve out the remaining 20%. Per Professional Fee Budget, weekly payments for Chapter 11 Trustee, Counsel and Financial Advisor will be put in escrow during this 5-week budget. Payments to professionals to be made only after employment applications are approved and payments authorized.						
38	Per Professional Fee Budget, Unsecured Creditors Committee Counsel has a forecasted \$50k monthly run rate and payments will be put in escrow during this 5-week budget.						
39	Per Professional Fees budget, US Trustee payment for Q3 2019 forecasted for week 15 based upon 1% of debtors disbursements in Q3 2019 of approximately \$2.5M per August and September Monthly Operating Reports ("MOR").						
40	Per Ernesto Olivares on 10/30/2019, affiliate GIT's October 2019 invoice for back office and administrative services will be approximately \$156k. GIT allocates expenses among the affiliated entities based upon headcount of each respective entity. Per Cost and Sale Summary schedule, GIT's allocation and the Legal Fee summary schedule details of the pre-petition invoices offset against revenue due to HVI in Week 13.						
41	Per the draft 13-week Health and Safety Budget to be presented in 2-weeks.						
42	The amounts reflected here reflect the first 4-weeks of the draft 13-week total SMV Health and Safety Budget. Over the full 13-week period forecasted expenses are approximately \$275k but should reduce compliance violation fines and environmental risks.						
43	The amounts reflected here reflect the first 4-weeks of the draft 13-week total Belridge Health and Safety Budget. Over the full 13-week period forecasted expenses are approximately \$66k but should reduce compliance violation fines, environmental risks and, by reducing these liabilities, potentially make the field more attractive to prospective buyers.						
44	The amounts reflected here reflect the first 4-weeks of the draft 13-week total Redu Health and Safety Budget. Over the full 13-week period forecasted expenses are approximately \$337k but should reduce compliance violation fines, environmental risks, and, by reducing these liabilities, potentially make the field more attractive to prospective buyers.						
45	Total Cash Outflows for Operating, General and Administrative, and Health and Safety Expenses but not including royalties.						
46	Estimated Funding required for the 5-week period ending week 18, excluding interest, is approximately \$2M. Interest to be added to the 13-week budget to be presented in 2-weeks.						

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Agreed as to form only:

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**ATTORNEYS FOR THE COUNTY OF SANTA BARBARA, CALIFORNIA; HARRY E.
HAGEN, AS TREASURER-TAX COLLECTOR OF THE COUNTY OF SANTA**

1 **BARBARA, CALIFORNIA; AND THE SANTA BARBARA COUNTY AIR POLLUTION**
2 **CONTROL DISTRICT**

3 **Agreed as to form only, and shall not indicate that this Final Order satisfies condition under**
4 **the Credit Agreement nor that the condition is waived:**

5 **O'MELVENY & MYERS LLP**

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EXHIBIT "3"

1 UNITED STATES BANKRUPTCY COURT
2 CENTRAL DISTRICT OF CALIFORNIA - NORTHERN DIVISION

3 --oOo--

4 In Re:) Case No. 9:19-bk-11573-MB
5 HVI CAT CANYON, INC.,) Chapter 11
6 Debtor,) Santa Barbara, California
7 -----) February 25, 2020
Tuesday, 10:30 A.M.

8 HEARING RE: [767] NOTICE OF
9 MOTION AND MOTION IN
10 INDIVIDUAL CASE FOR ORDER
11 CONFIRMING TERMINATION OF
12 STAY UNDER 11 U.S.C. 362(j)
13 OR THAT NO STAY IS IN EFFECT
UNDER 11 U.S.C.
362(c)(4)(A)(ii) ROYALTY
INTERESTS WITH PROOF OF
SERVICE (BEALL, WILLIAM)

14 TRANSCRIPT OF PROCEEDINGS
15 BEFORE THE HONORABLE MARTIN R. BARASH
UNITED STATES BANKRUPTCY JUDGE

16 APPEARANCES:

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25 transcript produced by transcription service.

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1 SANTA BARBARA, CALIFORNIA, TUESDAY, FEBRUARY 25, 2020

2 10:39 A.M.

3 --oOo--

4 THE COURT: Okay. All right. Today is Tuesday,
5 February 25th, and this is our omnibus hearing in HVI Cat
6 Canyon. We have only one matter on calendar, #1.00 GRL's
7 motion regarding termination of the stay, determination
8 that there is no stay, et cetera. Let me have appearances,
9 please.

10 MR. ISRAEL: Good morning, Your Honor. Eric
11 Israel of Danning Gill Israel & Krasnoff, LLP, attorneys
12 for the Trustee and the Trustee is also present.

13 MR. BEALL: Good morning, Your Honor. William
14 Beall, Beall & Burkhardt, on behalf of GLR, LLC, the moving
15 party.

16 MR. JONES: Good morning, Your Honor. Evan Jones
17 of O'Melveny & Myers, representing UBS.

18 MR. FISCH: Good morning, Your Honor. Alex Fisch
19 from the California Attorney General's Office here on
20 behalf of various state agencies.

21 MS. GRANT: Good morning. Karen Grant on behalf
22 of BUGANKO and Janet K. Cognin (phonetic) Estate and Living
23 Trust. We have joined in the opposition.

24 MR. COHEN: Good morning, Your Honor. Marc Cohen
25 and Alicia Clough from Loeb & Loeb from the California

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1 State Lands Commission.

2 THE COURT: All right.

3 MR. IZAKELIAN: Good morning, Your Honor. Razmig
4 Izakelian --

5 THE COURT: Hold on, hold on, hold on.

6 MR. IZAKELIAN: -- from Quinn Emanuel on behalf
7 of GIT, Inc.

8 THE COURT: Hold on, hold on, hold on.

9 Okay. I'm sorry. Go ahead. Say it again. Is
10 that Mr. Izakelian?

11 MR. IZAKELIAN: Exactly. It's Razmig Izakelian
12 from Quinn Emanuel for GIT, Inc.

13 THE COURT: All right. Very good. And then
14 Wyntt Sloan-Tribe, go ahead.

15 MR. SLOAN-TRIBE: Good morning, Your Honor.
16 Wyatt Sloan-Tribe from the Office of the Attorney General
17 appearing on behalf of California Geological Management
18 Division.

19 THE COURT: Okay. Thank you.

20 And then Ms. Mosco (phonetic).

21 (No response.)

22 Is Ms. Mosco on?

23 UNIDENTIFIED VOICE: I don't think she's going to
24 be on (indiscernible). I'll be on this one.

25 THE COURT: Okay. Yeah. Very good.

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1 All right. Mr. Beall.

2 MR. BEALL: All right. So first of all, let's
3 talk about completely undisputed are hundreds of pages of
4 recorded documents that were properly recorded, they were
5 properly perfected.

6 THE COURT: Okay. And --

7 MR. BEALL: No dispute about any of that.

8 THE COURT: -- actually, let's start before.

9 MR. BEALL: Okay.

10 THE COURT: Okay. There's some disagreement
11 about what this thing is. Some of the opposing parties
12 said, wait a second. This is a relief from stay motion.
13 He didn't use the required form. And some people said,
14 well, no, it's not a relief from stay motion because
15 they're asking for something that has nothing to do with
16 relief from stay.

17 Seems to me, first of all, your motion is a
18 little bit of both, right? On the one hand it's not relief
19 from stay per se, but you want either to terminate the stay
20 or comfort order, the stay doesn't apply because we want to
21 be able to serve this Division order on purchasers of the
22 oil and we don't want anyone to claim we did something
23 wrong. And we also want to get paid for that part of the
24 oil that was brought to the surface of the grant since the
25 petition date, right?

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1 MR. BEALL: I actually don't think today is the
2 day that I -- I don't think relief from stay gives me the
3 right to get that escrow account, Your Honor. I think
4 that --

5 THE COURT: Because you asked for it in your
6 motion.

7 MR. BEALL: Fair enough. I --

8 THE COURT: Okay.

9 MR. BEALL: But we're really looking at
10 perspective relief. I mean, from -- we're talking about
11 tomorrow's royalties.

12 THE COURT: Okay.

13 MR. BEALL: That's what this motion is about.

14 THE COURT: So there are two prongs I want to
15 know. First of all, it -- under our Rule 4001 you are
16 supposed to use one of the forms. Okay. And people around
17 here all the time -- okay, and I'm sure if I went and dug
18 into some old files, some case of yours, use the form and
19 then just added a memo of Qs and As that explain what was
20 different about this animal. Okay. So you didn't do that.

21 And there's a reason -- I mean, I know -- half of
22 the people love our forms; half the people tease us, but
23 those are the rules. Okay. You didn't use the form. And
24 secondly, Rule 4001 of our Local Rules, 4001-1(c)(4) says
25 you're not supposed to combine. Okay. You're supposed to

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1 bring a separate motion and you've combined them.

2 So for those reasons alone I could deny the
3 motion. I'm going to reserve judgment on that and we're
4 going to -- we're all here. We're going to talk about the
5 merits. But I would appreciate it if there's a little more
6 compliance with our Local Rules.

7 MR. BEALL: All right. So, Your Honor, obviously
8 this isn't relief from stay real property to do a
9 foreclosure. The forum doesn't -- it doesn't fit. So what
10 I actually did if you look at my motion is the language of
11 the Local Rule form is repeated verbatim to the extent that
12 it was applicable to this situation.

13 THE COURT: All right. But this rule says these
14 are mandatory forms.

15 MR. BEALL: I understand, Your Honor.

16 THE COURT: And there are very few areas that are
17 mandatory. This is one of them, so if it said
18 substantially in compliance with like the Federal Rules say
19 a lot of things, it'd be different.

20 So I said -- I said we're going to move on and
21 talk about the substance of it. I don't want to get -- but
22 I -- I want to just ask you to try harder next time to
23 follow the rules.

24 Secondly, let's start where you started which is
25 you wanted to say there is undisputed facts and we put a

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1 stack of oil and gas leases in. That's great. So it's a
2 stack of oil and gas leases, but I don't -- I'm not an oil
3 and gas expert and I don't know that these oil and gas
4 leases, what exactly they entitle you to. The motion makes
5 no effort to walk me through it, to tie these to any
6 percentage that comes out of a well head or, you know, a
7 loaded point. There are illusions to that in your papers,
8 but I don't have evidence of that.

9 And it seems to underscore for me that what
10 you're asking -- part of what you're asking for in this is
11 that the determination of the extent of your client's
12 interest in the oil and where it's entitlement to the
13 proceeds of the oil. And that is traditionally something
14 that happens only in an adversary proceeding. I'm getting
15 it as a motion.

16 MR. BEALL: Well --

17 THE COURT: And by the way, I think every -- many
18 of the parties filing oppositions were fair to say, huh,
19 you know, what, these are the same claims that are actually
20 made in a counterclaim and why didn't you mention that.

21 So procedurally that's another problem. Forget
22 about the form. Okay. We talked about the form, but
23 procedurally I'm not sure that this is the appropriate way
24 to go about this. You know, you're -- that whatever your
25 client's interest in the oil, I mean, I don't have any of

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1 the facts. Okay. So I don't know, for instance, which --
2 how many wells are on your parcels and how many parcels are
3 adjacent and how the oil is combined and -- what's the word
4 I'm thinking of -- collective. Okay.

5 And at what point does the oil come out of a
6 pipe? Is it 100 percent your client's oil? Unlikely. I
7 haven't had -- I've never seen a case where that is the
8 case where someone had 100 percent and you could segregate
9 the oil or the cash. So your -- I think you've over-
10 simplified the situation. You're asking the Court to
11 determine once and for all your entitlement to certain oil
12 that's commingled with oil of the estate and oil of other
13 interest holders and all I've got is a motion, you know,
14 on a very summary proceeding.

15 MR. BEALL: My turn? Thanks. Okay. So first of
16 all, Your Honor, you do this every single Tuesday. You get
17 a deed of trust attached to a motion for relief from the
18 automatic stay. If somebody thinks the deed of trust is on
19 the wrong property, if they think it's not properly
20 perfected, if they think it's not properly recorded, they
21 need to raise that. Happens every day for you, Your Honor.

22 So the idea of it being a summary proceeding is,
23 yes, there was a lot of this, but on the other hand, the
24 Trustee has also been involved now for five minutes. Sued
25 my clients GRI, LLC twice, so they've been looking at it

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1 and yet there wasn't one single word of we're concerned
2 about this or we want to look at that.

3 Now, in terms of evidence that I submitted you
4 have my declaration that the Trustee appeared at the first
5 meeting of creditors and said, he's going to pay royalties
6 according to HVI Cat Canyon's pay deck. And so --

7 THE COURT: You'll have your chance. Don't
8 interrupt. This is not evidence. There's no jury. Just
9 make a note and come back to it later.

10 MR. BEALL: Well, okay. It was in my
11 declaration, so --

12 THE COURT: No, I'm talking to Mr. Israel.

13 MR. BEALL: Okay.

14 THE COURT: Okay.

15 MR. BEALL: And furthermore, you have
16 Mr. Oliveros's declaration saying, we got the percentages
17 that are put in those proposed pay orders from the pay
18 deck. Now, if the Trustee has concerns about whether
19 they're correct the Trustee needs to raise them and he
20 needs to say, we have concerns, but we got nothing like
21 that, Your Honor. So this is normal to be done in a relief
22 from stay level. Here's my secured documents, do you have
23 a problem. This happens all the time procedurally.
24 That's -- I mean, that's the facts and --

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1 THE COURT: Okay. And where -- where in either
2 of your motion or your responsive pleading is there any
3 legal authority, statutory, regulatory, common law that
4 entitles you to survey "pay order" -- "divisional order" on
5 anybody.

6 MR. BEALL: Well, okay. So both the Ninth
7 Circuit in *Consolidated v. Ashton* and again, the Delaware
8 Bankruptcy Court in interpreting California law in *Delta*
9 *Petroleum* were very clear. These rights of my client are
10 real property rights and they are not property of the
11 estate.

12 THE COURT: Okay. That wasn't what I asked.

13 MR. BEALL: No, but it is, Your Honor, because if
14 it --

15 THE COURT: Where is the law that says there's
16 such thing -- if there even is such thing as a division
17 order and how it works? I don't think it's talked about in
18 those cases.

19 MR. BEALL: But the point is, Your Honor, if it's
20 not property of the estate that the stay is not, it's not
21 impacted. So --

22 THE COURT: Well, that's easy to say when there's
23 a house because there's no way to commingle the house. But
24 we're talking about commodity and it's commingled with
25 other people's -- with other people's commodities.

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1 MR. BEALL: In the motion you have the
2 declaration of Mr. Grewal that states that division orders
3 are commonly used in this industry. He's certainly an
4 experienced player in this industry. As a matter of fact,
5 I believe that the Trustee is using them in other
6 situations as well, Your Honor.

7 These Division orders are the normal way of
8 paying royalties through the two -- from the purchaser of
9 the property to divide up who gets what. And that's in Mr.
10 Grewal's declaration attached to the motion if you need me
11 to come up with the exact paragraph.

12 THE COURT: That's okay. Go ahead.

13 MR. BEALL: And again, nobody has disputed that.
14 Nobody said a pay order is an inappropriate way of doing --
15 dealing with this.

16 THE COURT: Okay. But -- okay, but you're asking
17 for relief from stay to do a thing and, you know, we know
18 for instance from the *Beal* case, which is a slightly
19 different posture because there someone was challenging the
20 lender's, you know, ability to enforce a note. But the
21 circuit -- I'm sorry, the BAP said something to the effect
22 of, well, you have to show that you have a colorable right
23 to do that thing that you're asking us to give you relief
24 from stay to do. And I'm just not seeing where the legal
25 right to deliver a -- some sort of an order on the

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1 purchaser is. I mean, this -- you know, this is a
2 different industry and it's governed by different
3 substantive law and this motion really hasn't done a very
4 good job of walking me through that at all.

5 MR. BEALL: Do you need expert testimony on
6 Division orders?

7 THE COURT: Well, maybe. I mean, I don't think
8 this is procedurally proper in the first place, but I find
9 it difficult to do what you want me to do without a better
10 factual record.

11 MR. BEALL: So it's clear, Your Honor, there's no
12 argument that these are our real property rights and
13 they're not property of the estate. And so --

14 THE COURT: Well, you keep saying they're real
15 property rights and I understand that. There's ancient
16 California case law that says that and it means something
17 for some reason, but it's kind of a problem when those real
18 property rights are transformed -- transmuted, converted,
19 sold into money. Okay. Then it becomes money and money is
20 commingled. And so none of your pleadings really address
21 that and none of your California cases really address that
22 either.

23 MR. BEALL: It's the difference between what
24 happened last month and what happens next month, Your
25 Honor. Frankly, as soon as it turns into money it's a

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1 personal property right, but when it's still in the ground
2 it's a real property right.

3 And what I want to do, what I'm looking for is an
4 order that prevents them from taking our real property
5 right next month because that's what's going on. And
6 they're taking our real property right and converting it.
7 That's what's going on. And the stay --

8 THE COURT: Would you like to get it in kind
9 instead? Want to send a truck? I'm going to ask the
10 Trustee in a minute.

11 MR. BEALL: That's not what the contract is, Your
12 Honor. The way the royalties work is you've got a producer
13 and then you've got a royalty claimant and the royalty
14 claimants aren't responsible --

15 THE COURT: I believe under California law a
16 royalty claimant can take it in kind or in cash. Somebody
17 cited something to that effect to me. I didn't make that
18 up. I read it somewhere, I know.

19 Anyway, I mean, I think this is a problem. You
20 know, what's happening -- the concern I have -- besides I
21 have many procedural concerns which I've made clear, is you
22 have an estate, you have oil that is commingled. Even if
23 it's traceable, even if you have some kind of a property
24 right in it you're asking for it to be treated separately
25 and you want the Trustee to sell it for you, but you want

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1 to take the money right away and I don't know if the
2 Trustee has to do that.

3 MR. BEALL: Contractually --

4 THE COURT: Maybe the Trustee could -- maybe the
5 Trustee can segregate 100th of a percent or whatever it is
6 and put it in a -- and put it in a barrel to save it for
7 you. I don't know. What I'm saying is, is this is a lot
8 more complicated than you're making it out to be.

9 MR. BEALL: If the Trustee thought that that's
10 what he wanted to do, Your Honor, and that that's what he
11 had a right to do contractually he would have put that in
12 his opposition.

13 THE COURT: The Trustee made the point in his
14 opposition that this whole thing is procedurally improper
15 because it should have been an adversary proceeding and if
16 ultimately I agree with the Trustee then I -- I don't think
17 you can draw too many conclusions from the fact that the
18 Trustee didn't try to cram an adversary's worth of
19 information into his opposition. He's entitled to object
20 on the ground that it's procedurally improper without you
21 making an inference that he didn't respond to your
22 arguments.

23 I understand. Maybe you'll persuade me that it
24 is procedurally proper and I'll give your arguments more

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1 credence but right now I'm having a hard time with that
2 notion.

3 MR. BEALL: Well, again, the question is if, as I
4 have said several times and no one has given you any law
5 and we've given you plenty of law in favor of this, it's
6 not property of the estate then this is the proper vehicle
7 because if it's not property of the estate then the stay is
8 not impacted and my client has a right to do what is
9 contractually appropriate. And these oil and gas division
10 orders we contend are. If they're not contractually
11 appropriate, we'll be sued for breach of contract.

12 Certainly the Trustee is not loathe to sue us.
13 They've done it already. My client. And so -- but they
14 all -- this is a contractually appropriate way to get the
15 royalty share that is due to my client that is it's -- for
16 next month it's current real property right, not property
17 of the estate.

18 And this is -- the *Delta Petroleum* says this
19 isn't a claim you could discharge. The *Ashton* case says
20 this is a right that is a real property right. Now, I know
21 it's an act case, but California law hasn't changed and
22 both the Ninth Circuit in *Ashton* and Delaware Bankruptcy
23 Court in *Delta Petroleum* interpreted California law.

24 THE COURT: Um-hum.

25 MR. BEALL: And there's been not -- as a matter

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1 of fact, the Trustee has filed a complete -- complaint
2 against 400-and-something defendants in which he takes
3 essentially the same position that these are not contracts
4 because they don't have -- they're not executory contracts
5 that have to be assumed or rejected.

6 THE COURT: Um-hum.

7 MR. BEALL: They're real property rights and
8 that, therefore, they don't have to assume or reject them.
9 This is the flip side of the exact same argument.

10 THE COURT: Okay. But my point is you're just --
11 you're making a logical leap. You know, they start out --
12 it starts out as -- it starts out as a real property
13 interest but then something happens when it comes to the
14 surface and nobody is really dealing with that issue of
15 how -- you know, what happens when it's commingled
16 necessarily. In fact, it's probably commingled when it
17 comes up because you're only -- you only have a fractional
18 interest.

19 So I don't think it's as clear.

20 MR. BEALL: But this is exactly what happens.
21 Then (a) gets X percent and (b) gets X percent and (c) gets
22 Z percent.

23 THE COURT: Oh.

24 MR. BEALL: And that -- Division orders are
25 exactly how --

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1 THE COURT: But we also -- we also have a --

2 MR. BEALL: -- that is accomplished.

3 THE COURT: -- cash collateral order, okay, which
4 says fin -- cash collateral financing. I don't remember
5 which -- that says what we're calculating the royalty and
6 we're putting it in an account.

7 MR. BEALL: Until further order of the Court.

8 THE COURT: Yeah.

9 MR. BEALL: And I want further order of the
10 Court.

11 THE COURT: Yeah, okay, well --

12 MR. BEALL: That's just what I'm asking for.

13 THE COURT: I understand that. I'm not --

14 MR. BEALL: It's been now six months.

15 THE COURT: I'm not --

16 MR. BEALL: It's been six months and whet her our
17 money has been properly escrowed or not we -- I --
18 Mr. Skillman gave me something this morning which showed
19 something in -- really the first accounting we've ever had
20 from the Trustee about what's been placed in the escrow
21 account which I'm very grateful to have received it, but
22 it's the first time we've seen anything. Trustee has been
23 involved for four -- five months.

24 So this is not a brand new case anymore. And
25 it's time that --

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1 THE COURT: No.

2 MR. BEALL: What?

3 THE COURT: We -- this case -- sometime of this
4 case was spent with your client's affiliate in charge and
5 that wasn't going very well. So be careful about how you
6 count the months.

7 MR. BEALL: The wells were open when my client's
8 affiliate was in charge. Just saying. I mean, I --
9 everybody's --

10 THE COURT: All right.

11 MR. BEALL: -- anxious to pile onto all things
12 Randy Grewal, but the fact of the matter is, we were
13 producing oil.

14 THE COURT: Okay. Anything else?

15 MR. BEALL: I think that's all, Your Honor.

16 THE COURT: Okay. All right. Let me just say
17 for the record as noted in the -- in the tentative I
18 posted, I reviewed the evidentiary objections on all sides
19 and they're all granted, they were all well taken.

20 MR. BEALL: There was a tentative. I looked four
21 times yesterday. I don't know when it got posted. Okay.
22 Didn't see it. I apologize.

23 THE COURT: Yeah. So anyway, I thought the
24 evidentiary objections were well taken. People can feel
25 free to address that when it's their turn.

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1 MR. BEALL: Oh, that's already -- okay.

2 THE COURT: I don't think it's determinative -- I
3 don't think it's --

4 MR. BEALL: I --

5 THE COURT: -- cased -- you know, motion
6 determinative here.

7 MR. BEALL: Okay.

8 THE COURT: Mr. Cohen.

9 MR. COHEN: Marc Cohen for one of the five
10 joining parties. The point of order and maybe shortcuts
11 this and maybe it doesn't, I liked what you said before
12 about rules and we've tried to understand the rules and
13 maybe you could just educate some of us today. But my
14 understanding was regardless of whether the tentatives are
15 sustained or not, that when there is a controverted
16 declaration the declarant must show up and I don't see the
17 movant's declarant in court.

18 I brought up my objected-to declarant for
19 Ms. Clough and I don't see Mr. Grewal in court. And if
20 that's the case, shouldn't the motion be denied, period?

21 THE COURT: So let me try to clarify and try to
22 distinguish between what I understand the Local Rules to
23 say and what my own practice is and what my practice has
24 been in this case because it -- many of the motions have
25 been presented to me kind of on an emergency basis.

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1 So our Local Rules such as they are say basically
2 unless the Judge says something otherwise, unless I issue
3 an order two days before hearing saying I want witnesses,
4 that witnesses don't have to show up at the hearing, it's
5 treated as sort of a preliminary hearing and the Court has
6 the discretion to say, well, you know, on the record before
7 me I -- you know, I think I want to hear witnesses.

8 In a number of circumstances when I think of it,
9 I've said, come to this continued hearing and bring your
10 witnesses, because I just want to get it done. I don't
11 want to go through the, well, let's have a hearing and then
12 I'll say bring your witnesses next time.

13 So I've tried to short-circuit that. I think the
14 rules -- whether the rules say it or not, I think when I'm
15 presented with an emergency like first-day hearings or some
16 other kind of emergency my view is if the -- if the -- if
17 there are declarants here and they can clarify, I'll just,
18 you know, invite the testimony and so far I haven't had any
19 objections to that.

20 But technically our Local Rules don't
21 automatically say you bring your witness. It's kind of the
22 bottom line, so I'm not sure that I can declare a default
23 based on that unless I've ordered that in advance, which
24 sometimes I do.

25 MR. COHEN: Well, there is some ambiguity when

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1 you talk about trials, but there are a couple spots in your
2 rules that talk about contested declarations that the party
3 has to show up. I'm not sure that this is a trial, but
4 should this be continued or --

5 THE COURT: You mean, the adversary rules?

6 MR. COHEN: I don't think it says adversary.

7 THE COURT: Oh, okay.

8 MR. COHEN: But it seems to me if there is any
9 ambiguity here my suggestion at the end of the day, however
10 you -- but if there's going to be another hearing on this
11 that declarants be ordered to appear because clearly --

12 THE COURT: Right.

13 MR. COHEN: -- there's a lot of objected-tos
14 involved.

15 THE COURT: Yeah. Yeah, that's fair. And
16 what -- it may make sense, especially in this case where we
17 have a lot of money at stake and a lot of -- a lot -- you
18 know, every hearing is expensive because there are a lot of
19 people here. It may make sense to have an administrative
20 order. I just make that the rule in this case and I'm
21 happy to entertain that.

22 MR. COHEN: Thank you, Your Honor. That's why I
23 called it appoint of order --

24 THE COURT: Okay. Yeah.

25 MR. COHEN: -- just for clarification. Thank

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1 you.

2 THE COURT: All right. Mr. Israel.

3 MR. ISRAEL: Thank you, Your Honor. The Trustee,
4 of course, agrees with Your Honor that the form and
5 procedure were improper in this case. Your Honor, the
6 reason I had stood up earlier is because Mr. Beall was
7 referring to two declarations, one by himself and one by
8 Mr. Earnesto Oliveros. The declarations were filed on
9 February 19th, document 808, with the reply. They're not
10 even referenced in the caption to the reply and I would
11 move that -- Your Honor, the reply is not supposed to
12 include new evidence. I would ask Your Honor to strike
13 both declarations.

14 THE COURT: Okay. All right. You're talking
15 about their reply?

16 MR. ISRAEL: Yes. There were new declarations
17 and that's what Mr. Beall was just referring to, his own
18 declaration that was filed on February 19th, six days ago,
19 although I believe that ECF may have been down, so he
20 probably filed it, you know, seven days before.

21 THE COURT: Okay.

22 MR. ISRAEL: But also in the declaration of
23 Mr. Oliveros --

24 THE COURT: All right. Well, there's no rule
25 against filing declarations in support of a reply. It's

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1 when it's in the nature of rebuttal, but I -- but what I
2 hear you say is you're making the argument that this raises
3 new information which should have been in the motion
4 itself.

5 MR. ISRAEL: Yeah, yes. The one declaration is
6 about the pay deck. The other one is about -- well,
7 Mr. Oliveros' declaration is about the pay deck and
8 Mr. Beall's declaration is about --

9 THE COURT: All right. We can talk about it but
10 I'm not sure it really matters --

11 MR. ISRAEL: Okay.

12 THE COURT: -- procedurally.

13 MR. ISRAEL: Okay.

14 THE COURT: Procedurally this motion has so many
15 problems.

16 MR. ISRAEL: The only other -- and then further
17 on the procedural aspect, Your Honor, actually the reply
18 acknowledges this that Mister -- and Your Honor referred to
19 this as well, that Mister -- the GRL raised a cross-claim
20 in the adversary proceeding on these kinds of issues about
21 what -- you know, what royalty they're entitled to and
22 whether and how it gets paid.

23 That properly belongs in an adversary proceeding
24 and it will be handled there. Does not belong --

25 THE COURT: Well, what about Mr. Beall's

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1 argument? He says nobody -- nobody really -- nobody is
2 disputing the percentages or anything like that. It's
3 just -- you know, it's just a calculation.

4 MR. ISRAEL: Your Honor, the -- this is --
5 characterizes a relief from stay motion. It's a summary
6 proceeding. We are -- we saw the deeds that were attached
7 and, as Your Honor said, they -- there's a leap from that
8 to the calculations.

9 Nevertheless, the Trustee has been segregating
10 money on the royalties and there was some segregated money
11 that was turned over to the Trustee by the debtor in
12 possession on royalties. The Trustee has augmented that.
13 Again, without prejudice to the estate's right that those
14 funds shouldn't be -- or that either the calculations are
15 wrong because we have not confirmed that or that there's
16 some sort of basis to set off or other claims. Again, as
17 set forth in our opposition we raised the 502(d) argument
18 that there are -- there are -- this entity received --

19 THE COURT: And some of the -- some of the -- or
20 any of these leases that were attached as Exhibit A are
21 these -- are any of these the same leases subject to the
22 adversary or where the interest --

23 MR. ISRAEL: They're --

24 THE COURT: -- of those leases were transferred
25 away.

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1 MR. ISRAEL: They're not the instruments, I
2 believe, but they do relate to some of the oil leases that
3 the Trustee has.

4 THE COURT: I mean, I just --

5 MR. ISRAEL: And honestly, because this -- again,
6 this is a summary proceeding, you know, I didn't go through
7 and have our oil and gas counsel --

8 THE COURT: Right.

9 MR. ISRAEL: -- confirm.

10 THE COURT: I mean, it's a stack of quitclaim
11 mineral deeds, assignment documents with, you know, all
12 kinds of -- you know, APN numbers and varied particular
13 descriptions of, you know, lot and block numbers and tract
14 books and that kind of -- I mean, it just -- I don't know
15 what I'm supposed to do with it. It's not even segregated.
16 It's not even sorted. There's no index. I don't know how
17 this ties to any of the alleged percentages that they're
18 claiming.

19 I know Mr. Beall is going to come back and
20 respond after I hear from all the other objecting parties,
21 but, you know, he referred to some contractual arrangement
22 that said that his client is only entitled to cash and not
23 necessarily entitled to receive the oil in kind. And I
24 don't know which of these papers, if any, says this thing
25 that he's claiming.

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1 I just -- I don't -- I'm -- I learn a lot every
2 day I come to work and I learn from all of you. But I'm a
3 reasonably intelligent person -- lawyer and I just don't --
4 I don't get how this adds up to what he wants.

5 MR. ISRAEL: Your Honor, this is again he set
6 this up as a relief from stay motion it's a summary
7 proceeding and if there were prior orders that the relief
8 from stay motion didn't even reference that ordered these
9 monies segregated, the Trustee is segregating it and if
10 he -- if GRL is asking for some sort of a declaration,
11 that's what is the cross-claim or counterclaim that he
12 filed will resolve in the adversary proceeding. That's not
13 properly, I would submit, brought to Your Honor today by
14 relief from stay motion and there's no cause that's
15 adequately -- you're going to treat it as a relief from
16 stay motion instead of a 60(b) motion or a request for
17 declaratory relief. There's no cause because the money is
18 being held and they're adequately protected because the
19 amounts are being segregated and held.

20 THE COURT: And the amounts are what the -- I
21 assume what the Trustee thinks are the right amounts.

22 MR. ISRAEL: That's right, Your Honor. And some
23 of it, as Your Honor mentioned, this case was, what, three
24 months in debtor-in-possession mode where Mr. Grewal who
25 submitted this declaration on behalf of the movant was in

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1 control of our debtor and that's -- we're assuming those
2 amounts are correct. We didn't go back and audit that yet.

3 THE COURT: All right. Thanks.

4 MR. ISRAEL: Thank you, Your Honor.

5 MR. JONES: Your Honor, Evan Jones on behalf of
6 UBS. I won't repeat everything that's in the papers.
7 There are seven points I'd like to make. Point one is the
8 wrong procedural device. Set aside for a second whether
9 it's the wrong form. I actually have some sympathy for
10 that because I don't always use the right form.

11 But, Your Honor, it's the wrong device. They're
12 asking for an order requiring the Trustee to make payment
13 to them. They pretty acknowledged that this is the wrong
14 procedural advice in their reply. Mr. Beall says, well,
15 this is just like a Tuesday relief hearing.

16 THE COURT: Well, wait a second. Does -- when
17 you're -- this argument you're talking about the past, the
18 royalties that are already accrued in -- converted into
19 cash because I thought what with the Division order he's
20 asking purchasers of the estate's product to pay a portion
21 of the consideration directly to them, so that's a little
22 different.

23 MR. JONES: Your Honor, it's the wrong form to
24 deal with the request to get -- it's the wrong procedure --

25 THE COURT: Yeah.

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1 MR. JONES: -- to deal with the request to get
2 payments that were already allegedly due.

3 THE COURT: Okay.

4 MR. JONES: And Mr. Beall says, well, it's just
5 like a Tuesday relief hearing. Your Honor, I don't think
6 you're accustomed that the Tuesday relief hearing to
7 ordering that the secured lender gets relief and Mrs. Smith
8 must, therefore, surrender the house immediately. That's
9 what they're asking for. They're not just asking for
10 relief.

11 Now, I will talk about the relief as to future
12 payments which shouldn't be granted even if all they've
13 done was bring a motion for relief to get relief to serve
14 that Division order upon the buyers.

15 THE COURT: Okay.

16 MR. JONES: But it is the wrong form as to first
17 thing they request, which is to get money.

18 Now, Your Honor, the second point I'd note here
19 is that even this -- if this were a "mere relief motion,"
20 the burden is on the movant to provide evidence and law to
21 show that he's entitled to relief and that brings us to the
22 third point that we note here.

23 As Your Honor has noted and we certainly agree,
24 there's no admissible evidence here. Nothing. Mr. Grewal
25 has attached a stack of documents he says, well, these are

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1 a bunch of oil and gas leases. There's no foundation for
2 that. We don't know what his basis for that is. Mr. Beall
3 says, well, no one is arguing about the evidence, Your
4 Honor. If no evidence is presented and it's not material
5 to the issue before the Court, we don't have to -- the
6 counter evidence at the time.

7 THE COURT: That wasn't in your evidentiary
8 objection. Your evidentiary objection is to the sole
9 paragraph 2 of Mr. Grewal's --

10 MR. JONES: Well, Your Honor, I believe the
11 foundation objection was made by other parties. If we fail
12 to --

13 THE COURT: Okay.

14 MR. JONES: -- then we failed to.

15 THE COURT: All right.

16 MR. JONES: But Your Honor is correct.

17 THE COURT: I mean, you can certainly argue that
18 without foundation it's not -- it's of limited probative
19 value. That -- that's not admissibility, per se. So I
20 just wanted to make sure I didn't miss something in the
21 evidentiary objection.

22 MR. JONES: Your Honor, I would have to go back
23 and re-read it. I admit that it certainly was made by
24 other parties and I think the Court is correct that it
25 shouldn't be -- that the evidence is not admissible.

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1 Your Honor, I do want to take up the point that
2 Mr. Israel made about the reply declarations, but
3 unfortunately -- I've learned to bring my Bankruptcy Code
4 and rules with me. I don't have the Local Rules with me.
5 I don't think the Local Rules provide for reply
6 declarations. The Local Rule says that all of the evidence
7 must be filed with the moving papers. And, Your Honor, I
8 have had other judges in this district rule that reply
9 declarations are not proper because of that rule. So I
10 think Mr. Israel is correct on that one.

11 Your Honor, I'd also note that there's no effort
12 by the movant to show that there is cause to grant relief
13 from the stay.

14 THE COURT: Okay. I'm sorry. I was looking at
15 the Local Rules. So --

16 MR. JONES: I apologize, Your Honor.

17 THE COURT: Is this your fourth or your fifth
18 point?

19 MR. JONES: We're about to the fourth.

20 THE COURT: Okay.

21 MR. JONES: Your Honor, the fourth point is the
22 motion effectively acknowledges that delivering the
23 Division order is, in fact, stayed.

24 And, Your Honor, Mr. Beall says, well, it's not
25 property of the estate, therefore, I'm entitled to do

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1 whatever I want. But, Your Honor, the Bankruptcy Code
2 doesn't say the stay applies only to property of the
3 estate. Section 362(a)(3) says that actions to obtain
4 property of the estate or property from the estate or to
5 exercise control over assets of the estate are all stayed.
6 And, Your Honor, this is the point you were making about
7 these things are commingled. There is a contract to sell
8 this oil. This oil is in the possession of the estate.
9 The stay is designed to keep people from coming in and
10 saying, you have my property, give it to me. That's a
11 matter that is properly brought before this Court by an
12 adversary proceeding.

13 It is clear that if Mr. Beall goes and delivers
14 to buyers of this oil his document that says you owe me the
15 money, that is going to interfere with the Trustee's
16 ability to collect on the contracts he has entered, which
17 are unquestionably property of the estate. Mr. Beall has
18 reduced the stay from what the Code says it applies to and
19 the fact that he filed the motion asking for relief
20 effectively acknowledges that. There's no cause shown why
21 this court should grant relief from Section 362(a)(3) even
22 if the oil were completely not property of the estate.

23 And, Your Honor, that brings us to point number
24 six, which I think is very important. I've pointed out
25 there's no argument for cause beyond it's not property of

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1 the estate. Point six -- and Your Honor has raised this --
2 we need to understand which this division order is. It's
3 not an order from a competent court. If we had an order
4 from a competent court and Mr. Beall said, "I want to serve
5 this upon people," maybe some form of dignity of that order
6 would constitute cause to permit him to do so.

7 All this is, is a claim by the creditor or by the
8 owner, we don't know, saying, you have my oil. Pay me the
9 money that you've contracted to give to the Trustee under
10 what is unquestionably a contract of the estate and for oil
11 that is unquestionably in the possession of the estate. It
12 is stayed.

13 And, Your Honor, that brings me to the last point
14 I want to make and Your Honor alluded to this. The amounts
15 that may ultimately -- that GLR may ultimately be -- I'm
16 sorry -- GRL may ultimately be entitled to are not self-
17 evident.

18 As Your Honor noted, the oil comes out of the
19 ground mixed. There's complex accounting to determine
20 which lease the oil comes from. We've got declaration from
21 other royalty holders who have suggested that there has
22 been inappropriate accounting for where the oil comes from.

23 Now, the Trustee has said he's doing his best to
24 figure that out, but this is not a matter that should be
25 determined by a motion for relief from stay. When Your

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1 Honor hears the motion on Tuesday that Ms. Smith no longer
2 has the protection of stay for her house, the Court doesn't
3 say, oh, and by the way, I'm hereby finding that Porrell
4 Pool (phonetic) owns the washer and Ford owns the car and
5 someone else owns the solar panels on the house. Those are
6 adversary proceeding matters.

7 So going back to the beginning, this is the --
8 not the proper device for much of what the movant wants the
9 Court to determine and for the narrow item of should the
10 stay remain in effect the answer is absolutely. There is
11 no evidence. There is no law. Nothing to show cause to
12 permit this creditor to interfere with the operations of
13 the estate further than they've already done. Thank you,
14 Your Honor.

15 THE COURT: Thank you, Mr. Jones.

16 Mr. Cohen?

17 MR. COHEN: Good morning again, Your Honor. The
18 Attorney General's Office is here as well and I don't know
19 whether they intend to say anything or not, but they joined
20 in on the joinder that we filed. I'm not adding anything
21 to the joinder other than to point the Court to footnote
22 two of the joinder which summarize the evidentiary
23 objections that we incorporated by reference to the
24 efficacy of the declarant. And then if we can't to revisit
25 it again to this hearing, there's another one of these

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1 summary proceedings coming up on March 12th with the same
2 declarant and hopefully we can avoid some of the same
3 issues by getting an advisory as to who's got to show up
4 because I can assure you it's going to be contested.

5 THE COURT: Um-hum.

6 MR. COHEN: Thank you.

7 THE COURT: Okay. Thank you, Mr. Cohen.

8 Who else would like to be heard? All right.

9 Mr. Beall, you have the last word.

10 MR. BEALL: Sure. So one of the things that was
11 discussed is I think the Court said that the organization
12 wasn't appropriate but, in fact, the deeds are organized by
13 county and by field and there's, in fact, a summary sheet
14 at the beginning of it.

15 I -- there's a lot of stuff here but this is --
16 this is what it's got to be. If you look at Exhibit A,
17 page 8 through about --

18 THE COURT: Yeah, I'm looking at it.

19 MR. BEALL: -- 12 there's at least a
20 summarization of it. In terms of how confusing --

21 THE COURT: And where -- and does that chart --
22 that chart contains no arithmetic so there's no --

23 MR. BEALL: Okay.

24 THE COURT: You know, this is the assertion that
25 there's a certain percentage here. There's no -- so first

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1 of all that's still a problem. It's still -- certainly
2 it'd be -- these would be essential exhibits in a trial
3 over what are the -- what are your client's royalty
4 interest rights. But my point is, is when I picked it up
5 and looked at it it's not self-explanatory. My experience
6 with oil and gas is nothing is self-explanatory. And
7 there's a lot of arithmetic that goes into it and they have
8 to connect a lot of dots before you are able to conclude,
9 you know, who are the various interest holders in a
10 particular lease, let alone how oil comes, again, out of --
11 which spigot does it come out of.

12 MR. BEALL: Well, it's --

13 THE COURT: Right? Are the wells -- which wells
14 are connected and where do they come out at the -- at what
15 point is it -- does it go into a truck --

16 MR. BEALL: So --

17 THE COURT: -- or into the pipeline. Where do
18 they measure it? I mean, these are all -- they all kind of
19 impact, well, who else's oil is in there.

20 MR. BEALL: Okay. So, Your Honor --

21 THE COURT: Okay. And your argument has been,
22 well, we just -- we just want them to pay they always
23 did -- the way they always did and I don't -- I don't know.
24 I've -- I've heard from people today who -- including the
25 Trustee's counsel. This is the Trustee is putting the

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1 money aside based on those numbers but that the Trustee
2 into it all and that it can't be taken for granted.

3 MR. BEALL: He didn't exactly say that.

4 THE COURT: Okay. Okay. That's what I inferred.

5 MR. BEALL: And then the summarization is in
6 Exhibit D, Your Honor, and you can see what the proposed
7 order say is -- there are three of them, one for each
8 county. And they go down each field because that's how the
9 oil is organized is by field. So for instance --

10 THE COURT: But your -- Mr. Beall, stop. Okay.
11 Now you're -- now you are going to say that your statements
12 from the podium are as good as testimony that walks the
13 Court through all these papers and what they mean and it's
14 not. It's not something self-explanatory. Those orders
15 are just a request, a demand. Okay. They're not proof of
16 anything.

17 MR. BEALL: Okay. In terms of the foundation of
18 the leases among other things I think the Court properly
19 mentioned the fact there was no objection to that, but even
20 without that they're all recorded documents. The Court can
21 take judicial notice of them. There's no real dispute
22 about any of those documents.

23 Adequate protection. Adequate protection is only
24 important if this is property of the estate and it is not.
25 Okay. And again, so if you look at the Division orders,

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1 Your Honor, essentially, for example, there might be from
2 the redo field, and I forget the number, but my client is
3 entitled to two percent. That means 98 percent goes to the
4 Trustee, two percent goes to my client, and it -- there's
5 no -- there's no confusion there. It doesn't get in the
6 Trustee's way. There's just nothing wrong with that. I'm
7 sorry. Redo is wrong. We get almost three percent. One
8 and a half on our overriding enter (phonetic) royalty and
9 1.6 on a royalty. But -- so it's almost three percent for
10 redo. That's our page 215. And there's no confusion. The
11 buyer juts writes one check to the Trustee and one check to
12 GRL, LLC.

13 362(b)(3) says we can't go against property of
14 the debtor or property of the estate but, again, this is
15 not property of the estate. The 97 per --

16 THE COURT: It's property from the estate.

17 MR. BEALL: No, it isn't.

18 THE COURT: Oh, yes, it -- oh. Mr. Beall, it
19 comes out of the ground. The Trustee is holding it.
20 That's property from the estate. It's not property of the
21 estate, but it's property from the estate. He's holding
22 it. What else could that language mean? Why did Congress
23 make a distinguish -- make a distinction between property
24 of the estate and property from the estate?

25 MR. BEALL: You got me there, Your Honor, I have

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1 no idea why they would have put that in there.

2 THE COURT: Okay. Well, my job is to assume that
3 when Congress uses different words it did so intentionally.
4 That's the rule of -- canon of construction I'm supposed to
5 follow.

6 MR. BEALL: All right. Well --

7 THE COURT: So what else does it mean?

8 MR. BEALL: So in any event there's no need for
9 adequate protection when it wasn't property of the estate.
10 I mean, that -- it still should just be --

11 THE COURT: Which is the adequate protection
12 statute, Section of 362?

13 MR. BEALL: It's 362 -- shoot, I don't have my
14 Code with me.

15 THE COURT: Or it's 361.

16 MR. BEALL: Yeah.

17 THE COURT: Well, 361 is whenever it's required.

18 MR. BEALL: Right. And I guess that you're
19 talking -- it's 362(d)(1) so --

20 THE COURT: Okay.

21 MR. BEALL: -- so relief should be granted for
22 cause including lack of adequate protection, but cause
23 isn't just lack of adequate protection. The fact that it's
24 our property is certainly cause.

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1 THE COURT: Your -- did you offer me any cases
2 under 362(d) that described cause where your property is
3 part of the commingled commodity?

4 MR. BEALL: I did not give you a case that said
5 that.

6 THE COURT: Okay. What else?

7 MR. BEALL: Mr. Jones suggested that he used the
8 word "claim." He did it in a funny way. But this is not a
9 claim. That's what *Delta Petroleum* says. It's not
10 something that can be discharged. It's our property and
11 nobody has suggested that *Delta Petroleum* isn't good law.
12 Nobody said that it didn't properly interpret California
13 law and it said you can't discharge it because it isn't a
14 claim. That's what *Delta Petroleum* said.

15 So when Mr. Jones used the word "claim" he was
16 trying to suggest to the judge -- to you, Your Honor, that
17 this is somehow just a claim we have in the case, but it's
18 not. It's our property.

19 The other thing I wanted to mention -- oh, lost
20 my train of thought. Excuse me.

21 In the end, Your Honor, this is our property and
22 what you're being asked, no matter how many senators come
23 up to stick a knife in the back of Caesar, Your Honor, you
24 still have to apply the law. And what they're talking
25 about is we have our property and all these parties that

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1 are objecting to this motion want you to take our property
2 so that the Trustee can hang onto it for some vague notion
3 that perhaps there's some kind of offset claim for some --
4 against some other entity that is neither the claim nor the
5 way that they would get around mutuality is described in
6 any way, shape or form.

7 As far as my client is concerned, the only thing
8 that's been suggested is that there's this one quitclaim
9 deed that my client received, which is undisputedly from a
10 field that has been -- no production for years and years
11 and years and the idea that somehow the 502 would be
12 involved is absolutely silly because we don't have a claim.
13 You can't refuse to pay a claim when we don't have a claim.
14 We have a right.

15 So, I mean, 502 is just completely a red herring.

16 THE COURT: Claim is a right to payment and
17 where -- where the oil has been liquidated and turned into
18 cash, cash is the object of payment.

19 MR. BEALL: That's exactly what *Delta Petroleum*
20 rejected, exactly.

21 THE COURT: Well --

22 MR. BEALL: That's exactly the argument.

23 THE COURT: This court hasn't ruled on the issues
24 raised in *Delta Petroleum* yet, so -- and I don't think it's
25 been adequately briefed here, but I understand your

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1 argument. We'll see. Maybe I'll get to that issue. I
2 don't think this motion gets even close.

3 Anything else?

4 MR. BEALL: No, thank you, Your Honor.

5 THE COURT: Okay. All right. Anybody else? All
6 right.

7 Look, so we have this hybrid motion. It's asking
8 for two things. It's asking the Court to basically undo
9 the prior order of Judge Wiles presiding over this case in
10 the Southern District of New York which said that the
11 royalties owing to insiders ought to be escrowed. It
12 appears that that's what's going on and I think that it --
13 on the kind of the most basic level that relief has nothing
14 to do with 362. I'm being asked to just lift that now, but
15 I don't think a very good -- much of any case has been made
16 as to why I should revisit that order now, not the least of
17 which is that Rule 60 wasn't invoked or any of the cases
18 under Rule 60 addressed.

19 But in any event, I don't think that that order
20 which I view as interlocutory, is temporary that it makes
21 sense. That's the sort of order that is in place pending
22 some reliable determination that those monies ought to go
23 out the door. And I -- I understand that there is some
24 animosity towards prior management and while I don't think
25 I have animosity I have observed that I did appoint a

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1 trustee because things weren't going well. But my mind is
2 open. I certainly haven't made any decisions as to who's
3 entitled to what. And, you know, one bad act over here,
4 even if there is a bad act, doesn't necessarily change
5 whether someone is entitled or some entity is entitled to
6 be paid. So I think all those things are totally separate
7 and I'm keeping them separate in my mind.

8 But I'm being asked to undue with respect to
9 those payments an order that Judge Wiles has put in place,
10 which I think is sensible where there are questions that
11 have been raised about the insider's conduct. I think
12 it's -- and where. It's not clear what that entitlement
13 is.

14 But I think the -- to the extent the motion
15 sought relief from a prior order, I think it was
16 procedurally defective as well as substantively defective.
17 It just didn't say that's what we're trying to do. Didn't
18 brief the law on undoing a prior order of the Court and in
19 any event, didn't really make much of a showing that that's
20 what we ought to do here, especially when it involves
21 making a determination about the nature and extent of the
22 insider's interests in these leases in the particular -- in
23 the royalties. And I do think that requires an adversary
24 proceeding.

25 If we had been in a different posture, if we had

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1 had an adversary proceeding on those issues and the extent
2 of the insider's entitlement had been determined and it was
3 clear, well, maybe that would make sense at that point, but
4 none of that has happened.

5 Secondly, this seeks prospective relief. It's
6 described as relief from the automatic stay to give a
7 Division order. Division order is -- ought not be confused
8 with the order of the Court. Division order is, hey, I
9 claim an ownership interest in some fraction of some oil
10 that you purchaser are buying and you should pay it to me
11 instead of to them. You know, the motion for relief I
12 think is procedurally improper for a similar reason which
13 is I don't -- I don't -- inherent in it is a determination
14 of the nature and extent of the -- of the moving party's
15 interest and I don't think those have been determined and I
16 don't think it's appropriate to determine them in a summary
17 proceeding. I just don't.

18 But even if that were not the case, I do think
19 the -- I do think 362(a)(3) is applicable. I think that's
20 why there was a request for relief from the automatic stay
21 or request for determination that the stay didn't apply.
22 There was certainly desire by the moving party not to run
23 afoul of the automatic stay and I'm -- appreciate that.

24 362(a)(3) says the stay is applicable, not only
25 with respect to -- here let me just read so I don't mess it

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1 up. Not only an act to obtain possession of property of
2 the estate, but also of the property from the estate were
3 to exercise control over property of the estate.

4 And I think that this is property from the
5 estate, even if it's not of the estate that it's commingled
6 with all the other oil -- as far as I know, certainly
7 nobody has demonstrated otherwise it's commingled with all
8 the other oil that the estate is producing. And so I think
9 it would interfere with -- potentially with the Trustee's
10 process of selling it enough that I think the statute is
11 applicable.

12 I think after having sustained the evidentiary
13 objections to Mr. Grewal's declaration there's really
14 nothing left. And even if I hadn't excluded most of his
15 declaration I just don't think that cause was shown, even
16 aside from the evidentiary problems and the procedural
17 problems. I mean, as I've said, I've got a stack of oil
18 and gas leases and I have no -- there was no testimony even
19 inadmissible testimony that explained how all of that
20 translates into the particular entitlement that GRL is
21 asserting here and I think these things are complicated,
22 which is why the drafters said that we need to -- you know,
23 adversary proceeding to determine the extent of property
24 rights.

25 And even if there was no dispute as to the extent

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1 of the property rights, I am not persuaded by anything in
2 the record that it would still be a good idea to lift the
3 stay under 362(a)(3) because I believe that the rights of
4 the moving party are adequately protected. I respectfully
5 disagree with Mr. Beall's argument about 362(d). I think
6 it doesn't apply here and hold on, let me tell you why but
7 I don't think that cause has been shown. I'll explain
8 myself here.

9 362(d) "On request of a party in interest after
10 notice of a hearing, the court shall grant relief from
11 stay," et cetera, "for cause including the lack of adequate
12 protection of an interest in property of such party in
13 interest."

14 Well, that doesn't say anything about property of
15 the estate or not being property of the estate. It's about
16 the property -- adequate protection is a notion that
17 protects the interest of parties that claim they had
18 property interest in a property that is subject of the
19 stay. Okay. And I -- I think that interest is adequately
20 protected here by escrowing, you know, the royalty amount
21 that's always been -- you know, that's sort of on the books
22 when they got there. But I'm not about to say in summary
23 proceeding that that is once and for all time the right
24 royalty amount.

25 And again, to the extent the argument is, well,

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1 the cause is that this is our stuff, I get that, but it's
2 just not enough. I'm not really keen on having the
3 insider, former manager of a company, going to the
4 company's purchasers with anything, especially when they --
5 their interest can be adequately protected. Their property
6 interest, whatever it is, is adequately protected by the
7 escrowing of the funds.

8 I'm not really going to get into the 502(d)(2)
9 issue. I don't think I need to today. I just think
10 there's so many problems with this I don't need to get to
11 that. And so just in case anybody is trying to read the
12 tea leaves to tell you that it's not, it's not something
13 I'm really relying on or addressing today.

14 I did want to mention while we were talking, I
15 did look at the Local Rules with respect to replies and
16 90131(g) -- hold on a second -- 4 -- well, (g) says that
17 "(1) Sets a deadline for the reply memorandum and
18 declarations are other evidence attached. Must respond
19 directly to the opposition documents." (g)(4) says, "New
20 arguments or matters raised for the first time in reply
21 documents will not be considered," so that really sums up
22 the rule which is, yes, there can be declarations attached
23 to a reply and these rules have not changed for as long as
24 I've been in practice.

25 Yes, you can attach a declaration. Yes,

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1 sometimes the Court will ignore it if the Court concludes
2 that the declaration raises new matters, things that
3 perhaps should have been in the motion itself as opposed to
4 true rebuttal testimony. I don't think I need to get to
5 that. I don't think that the declarations that were
6 attached to the reply are of a probative value significant
7 enough to move the dial here. So I'm not going to formally
8 exclude them.

9 But this is just too complicated a matter and
10 they amount to, yeah, you know, you should -- this -- this
11 Division order is kind of the same as what we've always
12 done and so it's fine. And I'm -- I don't think that's
13 good enough. So --

14 MR. BEALL: Your Honor --

15 THE COURT: The motion will be denied for all
16 those reasons.

17 MR. BEALL: Your Honor, denial without prejudice,
18 I assume?

19 THE COURT: Yeah.

20 MR. BEALL: And I just wanted to say that I hope
21 that the Court maintains an open mind with regard to
22 362(a)(3) which was never raised until Mr. Jones hit the
23 podium today because if I do come back I will brief you
24 about 362(a)(3).

25 THE COURT: Okay. Good.

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1 MR. BEALL: Okay.

2 THE COURT: All right.

3 MR. BEALL: Thank you.

4 MR. JONES: Your Honor, shall I prepare the
5 order?

6 THE COURT: Yes, please.

7 MR. JONES: Thank you.

8 MR. BEALL: Thank you, Your Honor.

9 THE COURT: Mr. Cohen?

10 MR. COHEN: Your Honor, you earlier indicated
11 when I raised the point of order for clarification about an
12 administrative determination. We have come -- not to
13 prejudge anything, but we have a request of administrative
14 payment that's set for March 12th. There's a declaration
15 from the same declarant. It will --

16 THE COURT: I'm sorry, there's a -- I'm sorry.
17 There's a motion on March 12th filed by whom?

18 MR. COHEN: I think it's the same party.

19 MR. BEALL: No, it's not. A different entity?

20 MR. COHEN: Different affiliate.

21 MR. BEALL: Your Honor, it's GLR, LLC.

22 THE COURT: Okay.

23 MR. BEALL: And it's for administrative rent.

24 Neither the debtor nor the Trustee have ever paid our rent.
25 That's all.

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1 THE COURT: Okay.

2 MR. BEALL: That's all the motion is.

3 MR. COHEN: And I'm just raising the issue of so

4 we don't drag -- go with (indiscernible) unnecessarily.

5 Whether the Court is going to want contested or objected-to

6 declarations, whether wants a declarant in court so we

7 don't have to do a two-step on these things.

8 THE COURT: So --

9 MR. BEALL: Are there going to be factual

10 (indiscernible) dispute in that motion --

11 THE COURT: Well, I don't know. The flip side of

12 creating a rule in advance that everybody has to bring

13 their declarant all the time is that sometimes the facts

14 aren't in dispute.

15 MR. BEALL: The facts are that there's rent and

16 it hasn't been paid. I don't think anybody disputes any of

17 that, Your Honor.

18 THE COURT: So the deadline for objections to a

19 motion being heard on the 12th is February 27th which

20 hasn't happened yet. So I don't know whether -- I don't

21 know whether there will be a factual dispute and I don't

22 know whether -- here's another thing that our Local Rules

23 don't do very well. Okay. And that is that everybody

24 irrespective of whether I think there's a clash of

25 declarations, everybody has the -- really I think the

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1 constitutional right to assert their right to anyone that's
2 opposing relief to cross-examine the lease. Even if you
3 haven't created a factual dispute with -- necessarily with
4 the competing declaration. That's my personal view.
5 Nobody has briefed it. I haven't ruled on it. I just
6 think -- the reason right to -- now, you don't see that a
7 lot here. We see it in other jurisdictions that you
8 practice as people are expected to bring their witnesses
9 and then cross-examine. So, you know, one of the other --
10 the rule that we could fashion in this case is that, you
11 know, at the time that an opposition and a reply are filed
12 that anybody that wishes to cross-examine moving party's
13 declarant should give notice of that. That's one thing we
14 could do.

15 And then by requiring that in writing the party
16 who's offered the witness is now on notice the other party
17 wants to cross-examine them at the hearing. I'm willing to
18 do that in this case because we have a dedicated hearing
19 date. It's hard for me to do something like this when we
20 have 35 relief from stay motions on the day. But if the --
21 I don't know what people think about that. I'm happy to
22 entertain. This is our omnibus hearing date and we're all
23 here, all the parties who have been participating. So if
24 you want --

25 MR. BEALL: I like -- I'd like you to defer to

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1 other people --

2 THE COURT: Okay.

3 MR. BEALL: -- and just to make clear, Your
4 Honor, for a lot of these simple factual issues, they're
5 related party transactions and whether the amount sought,
6 whether the attraction itself is fair, whether it's
7 appropriate are according to issues. And so people have
8 questions and it's not in substitution for 2004 or
9 deposition. Matters are being initiated by the moving
10 party and other parties have the opp -- would like the
11 opportunity to say, huh, before something is ordered we
12 have some questions about the transaction. So I think it's
13 a very good idea.

14 THE COURT: Okay. Our Local Rules, by the way,
15 to the extent they say -- they don't say anything about how
16 somebody requests the opportunity to cross-examine. All
17 they say is that if the judge wants to hear testimony the
18 judge has to give a notice so many days ahead, which I
19 personally think is inadequate, but, you know, one of these
20 days I'll, you know, get around to try and persuade the
21 Rules Committee to do something about it, but we can create
22 that.

23 Yeah, Mr. Jones.

24 MR. JONES: Your Honor, Evan Jones on behalf of
25 UBS. I agree with Mr. Cohen that the Court's suggestion

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1 that parties should indicate in their responsive pleadings
2 if they want to have the opportunity to cross-examine the
3 witnesses makes good sense. And I would note that in a
4 number of other districts there's an equivalent of that.
5 It's not necessarily in the -- in the operative pleadings
6 but --

7 THE COURT: How do they do it?

8 MR. JONES: Your Honor, my recollection is that
9 in -- I apologize I'm blanking out whether it's Delaware or
10 New York -- you're to give a notice a certain number of
11 days in advance of the hearing.

12 THE COURT: Okay.

13 MR. JONES: Which is effectively what I
14 understand the Court to be suggesting. And I think putting
15 it in the responsive pleading would make sense.

16 THE COURT: All right. Well, I'm going to take a
17 look. I mean, I may ask you to alternatively -- my
18 administrative order might say, hey, file a single piece of
19 paper just so there's no -- just so it's clear. I'll look
20 at those two jurisdictions and see what they -- what their
21 rules say.

22 Yeah.

23 MR. MCCONNELL: Your Honor, the Trustee would
24 support that procedure -- Mr. Cohen's suggested procedure
25 as well.

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1 THE COURT: Okay. All right. Let me think about
2 it and I will do something about it this week one way or
3 the other.

4 Of course, you also know -- and just as an aside,
5 another thing that our Local Rules aren't very clear on is
6 when you want to take discovery on a motion, what do you
7 do. And so if I haven't said this before let me tell you,
8 no, no, no, there's some sections on discovery generally
9 but not necessarily a motion practice.

10 I will -- if requested I will entertain an *ex*
11 *parte* request to shorten the discovery periods when
12 somebody wants to take discovery. We'll have a telephone
13 conference. It won't truly be *ex parte* but I will do it on
14 an expedited basis without a hearing.

15 If there's a discovery dispute all anybody has to
16 do is call my law clerks and tell them and we'll schedule a
17 conference, whether it's a discovery -- a dispute on timing
18 or dispute on substance.

19 If you want to take discovery on a motion and it
20 doesn't seem like there's enough time, you can always try
21 to negotiate a continuance of the motion amongst yourselves
22 or you can bring a motion to continue it. Okay. So I just
23 want to just lay that all out there because I understand
24 that -- I feel like things are heating up here in a
25 different way. We've sort of started with that operational

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1 emergency mode and I think now there are parties with, you
2 know, conflicting rights who are starting to oppose one
3 another.

4 But I'm very flexible on that. I expect
5 parties -- in motion practice I expect you to cooperate on
6 discovery and do it in a time frame that sort of keeps
7 things reasonably moving the way motion practice is
8 supposed to work.

9 Same thing in adversaries if there are discovery
10 disputes. My preference is to try to have an informal
11 discovery conference oftentimes by telephone and try to
12 work that out in advance. And if I -- if something is too
13 complicated or too detailed like people come in and they've
14 got -- you know, I have different objections to each of 38
15 different document requests, you know, I'll say, well, you
16 need to commit that to writing and file a discovery motion.
17 But most things seem to boil down to a few, you know -- a
18 few big issues and sometimes I can help the parties
19 informally. If I can, I will. So --

20 MR. BEALL: Thank you, Your Honor.

21 THE COURT: Anything else?

22 MR. JONES: Thank you, Your Honor.

23 THE COURT: Okay. Thank you all. Appreciate it.

24 ATTORNEYS: Thank you, Your Honor.

25 THE COURT: Oh, it's 11:55. Be sure to spend

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1 some money here in Santa Barbara County before you go back
2 to LA or anywhere else. Just a pitch for the neighborhood
3 family businesses. All right. Our work is done for today.
4 Court is adjourned.

5 ATTORNEYS: Thank you, Your Honor.

6 (End at 11:55 A.M.)

7 * * * * *

8 I certify that the foregoing is a correct
9 transcript from the electronic sound recording of the
10 proceedings in the above-entitled matter.

11
12
13 _____ Date: 2/28/2020

14 RUTH ANN HAGER, C.E.T.**D-641
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EXHIBIT "4"

**United States Bankruptcy Court
Central District of California
Northern Division
Judge Martin R. Barash, Presiding
Courtroom 201 Calendar**

Tuesday, February 25, 2020

Hearing Room 201

10:30 AM

9:19-11573 HVI Cat Canyon, Inc.

Chapter 11

#1.00 Hearing

RE: [767] Notice of Motion and Motion in Individual Case for Order Confirming Termination of Stay under 11 U.S.C. 362(j) or That No Stay is in Effect under 11 U.S.C. 362(c)(4)(A)(ii) royalty interests with proof of service. (Beall, William)

Docket 767

Tentative Ruling:

Tentative Ruling for February 25, 2020

Trustee's Evidentiary Objections to Declaration of Randeep S. Grewal

1.	¶ 4, lines 13-14	SUSTAINED
2.	¶ 4, lines 15-22	SUSTAINED
3.	¶ 5, lines 23-24	SUSTAINED
4.	¶ 5, lines 25-28	SUSTAINED
5.	¶ 6, lines 1-3	SUSTAINED
6.	¶ 5, lines 3-8	SUSTAINED

UBS' Evidentiary Objection to Declaration of Randeep S. Grewal

1.	¶ 4, lines 15-22	SUSTAINED
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GRL's Evidentiary Objection to Declaration of Alicia Clough

1.	Entire Declaration	SUSTAINED
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Party Information

Debtor(s):

HVI Cat Canyon, Inc.

Pro Se

Movant(s):

GRL, LLC, a Delaware limited

Represented By
William C Beall

Trustee(s):

Michael Authur McConnell (TR)

Represented By

00137

**United States Bankruptcy Court
Central District of California
Northern Division
Judge Martin R. Barash, Presiding
Courtroom 201 Calendar**

Tuesday, February 25, 2020

Hearing Room 201

10:30 AM

CONT... HVI Cat Canyon, Inc.

Chapter 11

Eric P Israel
Sonia Singh
Aaron E de Leest
John N Tedford IV

00138

EXHIBIT "5"

<p>Attorney or Party Name, Address, Telephone & FAX Nos., State Bar No. & Email Address</p> <p>ERIC P. ISRAEL (State Bar No. 132426) eisrael@DanningGill.com ZEV SHECHTMAN (State Bar No. 266280) zs@DanningGill.com DANNING, GILL, ISRAEL & KRASNOFF, LLP 1901 Avenue of the Stars, Suite 450 Los Angeles, California 90067-6006 Telephone: (310) 277-0077 Facsimile: (310) 277-5735</p> <p><input checked="" type="checkbox"/> Attorney for Respondent, Chapter 11 Trustee <input type="checkbox"/> Movant appearing without an attorney</p>	<p>FOR COURT USE ONLY</p> <div data-bbox="1049 264 1432 535"><p>FILED & ENTERED</p><p>MAR 23 2020</p><p>CLERK U.S. BANKRUPTCY COURT Central District of California BY handy DEPUTY CLERK</p></div> <p>CHANGES MADE BY COURT</p>
<p>UNITED STATES BANKRUPTCY COURT CENTRAL DISTRICT OF CALIFORNIA -<u>NORTHERN</u> DIVISION</p>	
<p>In re:</p> <p>HVI CAT CANYON, INC.,</p> <p>Debtor(s).</p>	<p>CASE NO.: 9:19-bk-11573-MB CHAPTER: 11</p> <p>ORDER DENYING MOTION FOR RELIEF FROM THE AUTOMATIC STAY UNDER 11 U.S.C. § 362</p> <p>DATE: 02/25/2020 TIME: 10:30 a.m. COURTROOM: 201 PLACE: 1415 State Street, Santa Barbara, CA 93101</p>
<p>Movant: GRL, LLC</p>	

1. The Motion was: ☒ Opposed ☐ Unopposed ☐ Not Prosecuted
2. The description of the Property or Nonbankruptcy Action to which this order applies is as follows (*specify street address, legal description, personal property description or Nonbankruptcy Action*):

Payment of royalty interests of Movant, GRL, LLC; finding that such royalty interests are not property of the estate and permitting service of oil and gas division orders. See doc. no. 767.

3. The Motion is denied: ☒ without prejudice to Movant pursuing relief in the related adversary proceeding.
☐ with prejudice ☐ on the following grounds:
- a. ☒ Based upon the findings of fact and conclusions of law, and evidentiary rulings, made on the record at the hearing
- b. ☐ Unexcused non-appearance by Movant
- c. ☐ Lack of proper service
- d. ☒ Lack of good cause shown for relief from stay
- e. ☐ No stay is in effect under:
- (1) ☐ 11 U.S.C. § 362(c)(2)(A)
- (2) ☐ 11 U.S.C. § 362(c)(2)(B)
- (3) ☐ 11 U.S.C. § 362(c)(3)(A)
- (4) ☐ 11 U.S.C. § 362(c)(4)(A)
- f. ☐ Other (*specify*):
4. ☐ Movant may not file another motion for relief from the stay in this bankruptcy case absent a court order authorizing the filing of another motion.

###

Date: March 23, 2020



Martin R Barash
United States Bankruptcy Judge

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is 1901 Avenue of the Stars, Suite 450, Los Angeles, CA 90067-6006.

A true and correct copy of the foregoing document entitled (*specify*): CHAPTER 11 TRUSTEE'S OPPOSITION TO MOTION [CASE DOC. NO. 900] TO RECONSIDER ORDER [CASE DOC. NO. 866] DENYING MOTION FOR RELIEF FROM STAY [CASE DOC. NO. 767]; MEMORANDUM OF POINTS AND AUTHORITIES, DECLARATION OF MICHAEL A. MCCONNELL, AND REQUEST FOR JUDICIAL NOTICE IN SUPPORT THEREOF will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) May 1, 2020 I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

☒ Service information continued on attached page.

2. SERVED BY UNITED STATES MAIL:

On (*date*) _____, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page.

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) _____, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

May 1, 2020

Date

Patricia Morris

Printed Name

/s/ Patricia Morris

Signature

ADDITIONAL SERVICE INFORMATION (if needed):

1. SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF")

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